Budget Address
2012 - 2013
NORTHWEST TERRITORIES

The Honourable J. Michael Miltenberger
Minister of Finance

Third Session of the
Seventeenth Legislative Assembly
May 24, 2012

Introduction

Mr. Speaker, this Budget comes three months into the fiscal year. I would like to take this opportunity to thank all Members of the Legislative Assembly who worked individually and collectively to contribute to the interim appropriation for the current fiscal year.

We have started the 17th Legislative Assembly with a difficult fiscal reality and Members worked hard to help build this first budget of the 17th Assembly. We appreciate the advice of the Standing Committees during the recent business plan discussions. We are reviewing and considering the Committees' recommendations and the government will address these recommendations through the supplementary appropriations process later this session.

During the recent recession, the Government of the Northwest Territories spent over $1 billion on important capital projects such as schools, highways, housing and community infrastructure. This investment helped shore up our economy during the slowdown in the private sector.

Although we are proud of the way our last government responded to the worst recession since the Great Depression, we knew it was not sustainable. Circumstances are also now changing.

Private investment is returning to the NWT. With most industries recovering, it's time for government to step back, recalibrate and rebuild.

That's what this Budget is about. We are catching our breath after one of the most difficult economic downturns in modern times and restoring the balance between our revenues and expenditures so that in two years we will be ready to start re-investing in our growing infrastructure needs.

Economy

Mr. Speaker, the NWT economy is showing signs of recovery from the global economic downturn; however, we have not returned to our pre-recessionary peak. Although the economic outlook for the NWT is good, we are not expecting the double-digit growth we saw in the first half of the last decade.

Recovery in the NWT labour market is strong. The number of people working is the same as when the global recession first hit in 2008. In 2011 we added 1,200 new jobs.

Led by the diamond industry, mining is still the economic engine of the NWT, accounting for a third of our economy. Although carat production decreased in 2011, stronger diamond prices propelled diamond production values to $2.1 billion in 2011, the highest in seven years. Production targets are higher for 2012.

Exploration activity, a key precursor to actual mines, is set to increase by $20 million this year. However, while the other territories have exceeded their pre-recession peaks, we continue to lag behind. Our share of total exploration dollars has fallen from 7 per cent in 2007 to 3 per cent anticipated in 2012.

We're also seeing the return of oil and gas exploration. Chevron is starting seismic work in the Beaufort Sea and last summer 11 exploration licences representing over $500 million in work bids were granted in the Sahtu. This summer two more parcels will be awarded in the Sahtu, and six parcels were recently nominated in the Beaufort Sea.

Both retail and wholesale trade have picked up some growth over the past year, although they also remain below their pre-recession highs.

The private sector is reinvesting in the NWT. The extra $230 million expected in 2012 represents the largest percentage increase we've seen in more than five years. The Conference Board predicts a 14 per cent rise in economic activity and 1,800 more jobs over the next two years.

Even with this forecast growth, 2012 GDP will be 20 per cent lower than the highs reached in 2007. At that time, our two operating diamond mines were producing record carats and undertaking heavy construction and our third diamond mine was being built. To return to busy times like we saw in 2007 requires another large project.

The good news is, we've got quite a few in the wings. If approved, these projects could bring more than $2 billion in new investment, as well as 2,000 new jobs to a number of regions. Projects such as Avalon's Rare Earth Element Project provide opportunities for the establishment of a non-precious metals secondary processing industry in the territory. Projects such as Prairie Creek and Pine Point will facilitate economic growth in the Deh Cho and South Slave. These and other future mines are critical to our economy over the medium term as our existing mines reach their half lives.

Fiscal Strategy

As Canada's provincial and territorial economies recover, their governments face new fiscal realities. Recently, we've seen countries, states, and cities face downgrades in credit ratings and, in some cases, bankruptcies. Inadequate fiscal management is not an option and we must ensure our fiscal house is in order.

We remain one of the best managed jurisdictions in Canada. Our Aa1 credit rating is the second-highest rating obtainable from Moody's Investors Service with only Alberta and British Columbia receiving higher ratings in Canada. Our debt servicing costs are only 1 per cent of revenues, and we have one of the lowest debt to GDP ratios in the country. And we intend to keep it that way.

There are two reasons for this. First, we don't want to jeopardize our Aa1 credit rating by wavering in our commitment to the rules set in the *Fiscal Responsibility Policy*. We will not borrow for operating expenditures and we won't borrow for more than half the cost of infrastructure. A strong credit rating is not just about lower debt costs. It also signals a fiscally strong, stable environment for outside investment. We are determined to maintain that advantage.

The second reason is that we are constrained by the federally legislated borrowing limit. We worked collaboratively with Canada to secure an increase to our borrowing limit from $575 million to $800 million. This provides us with the added flexibility to invest in capital but is not as substantial as the new limit would suggest if fiscal discipline is not maintained.

Our borrowing is made up of both long-term and short-term debt. Most of our long-term debt is self-financing through user fees or ratepayers. On the other hand, our short-term debt needs to be carefully managed to ensure we have both the borrowing room and cash to pay for future investments.

Over the past few years, we used short-term borrowing to cover cash shortfalls created by increased infrastructure spending during the recession. Our short-term debt increased substantially.

As our private sector rebounds, we are assured that the decision to use short-term borrowing to invest in more capital has paid off. Now it is time to reduce our short-term borrowing and start to rebuild our cash to more sustainable levels.

This means generating sufficient operating surpluses to repay short-term borrowing and fund a minimum of half of new capital investments with cash. We will do this by constraining growth in our spending on existing and new programs at rates lower than the growth in revenues and returning to a more affordable level of capital investment.

At the same time, we recognize that our current level of capital investment will not address the GNWT's growing infrastructure deficit, which is currently estimated at $3 billion over the next five years. Just like the staff that occupy them, health centres, hospitals, schools and other facilities are essential tools needed to deliver our programs. Roads, airports, ice crossings, and bridges are the lifelines for food, supplies, tourists and resources.

That's why, Mr. Speaker, our plan for rebuilding will not be easy. Not only is our infrastructure deficit growing but increased costs challenge us at every turn. Rising fuel and electricity prices put pressure on all residents and our programs. We are also expecting increased demand for services such as health care due to changing demographics. In fifteen years, the number of people 60 years of age and older will double in the NWT.

We are also under no illusions about our potential revenue growth in the near term. Our Territorial Formula Financing Grant makes up 70 per cent of the GNWT's budget for programs and services. Although the federal Minister of Finance has assured us that the formula will not change through to 2018-19, we know that the Grant's growth will slow significantly because of stagnant population growth and restraint in provincial government spending. While we will continue to work with Canada to secure federal transfers in priority areas such as health and infrastructure, the March 29th federal budget is a clear indication that new funding through federal transfers should not be part of our plan.

Despite these pressures, this government is committed to protecting the programs and services our residents rely on. This Budget makes no cuts to the $1.4 billion earmarked for programs and services. We have worked hard through the collective bargaining processes to ensure that we retain the public service we need to deliver those programs. We are making good progress in finalizing the collective agreements and welcome the fiscal certainty this will provide to the end of this Assembly.

In the face of decreasing growth in revenues over the medium term and a growing infrastructure deficit, decisions will have to be made on what the priorities for spending are to make our vision for the NWT come true. Mr. Speaker, as we heard in the Throne speech, this government has made a commitment to doing things differently. We are reaching out to engage Northerners in building new partnerships. That means starting a conversation with residents about what they expect government to provide with limited resources.

We know we cannot fund everything. We also know we need the support of NWT residents to make these tough choices. This fall I will meet with residents, businesses and governments across the NWT. We want their input on how we can better serve our people and grow the economy.

Budget Highlights

Mr. Speaker, our fiscal strategy is highlighted by our return to operating surpluses with a $74 million surplus projected for 2012-13. We have accomplished this by holding 2012-13 operating expenditures to $1.4 billion; an increase of 3.7 per cent, or $51 million from the previous year.

Increasing demand for, and costs of, existing services account for $33 million of the increased expenditures. An additional $35 million will be invested in the priorities of this government. These increases will be partially offset by sunsets.

The increase in our operations expenditures will be financed through an estimated $1.5 billion in revenue, an increase of 9.5 per cent from the 2011-12 revised estimates.

Short-term debt is projected to be $216 million at the end of 2012-13. When combined with our long-term debt, and the debt of the NWT Power Corporation, NWT Housing Corporation and other public agencies, total GNWT debt will be $656 million at March 31, 2013.

Expenditures

Mr. Speaker, this Budget makes investments in the goals and priorities set out by the 17th Assembly in October.

Supporting our People

This Budget continues to support individuals, children, and families by protecting the critical services they rely on. It also makes a number of strategic investments.

In 2012-13, we've budgeted $818 million, or nearly 60 per cent of every dollar, for education, health care, social services, housing, policing, and corrections programs. Most of this money is an investment in health services and education to help us meet our goal of having healthy and educated people.

Our healthcare facilities are at the top of our list of critical infrastructure needs. To address our territory's health facilities deficit, we are spending $30 million this year on facility replacements and renovations.

New facilities such as the H.H. Williams Memorial Hospital in Hay River, and renovations like the Fort Smith Health Centre, ensure our health system remains capable of serving our regional centres. As well, $3 million will be spent on a planning study for the Stanton Territorial Hospital. This money is the first step in extending the life of a facility that provides critical healthcare services to residents from all across the territory.

But we also recognize that good physical and mental health starts at home. That is why improving housing conditions is a key priority of the 17th Assembly. This Budget commits $2.2 million in new funding to implement the priority areas for actions identified by our recently completed *Shelter Policy Review*. This funding includes $1 million for improving public housing rent scales and $1.2 million for a new rent supplement for private rentals.

Northerners have told us that existing public housing rents aren't working. The rents are complicated, unpredictable and create a disincentive to work. The additional $1 million starting in 2012-13 will be used on a new public housing rent scale to fix the problem. The new scale will be simple, predictable and fair. It represents a huge step in the right direction to ensure that public housing promotes self-reliance.

We're also improving the quality of our public housing through a $13.2 million investment for the Housing Corporation's capital plan. This investment will give a major refit to 118 public housing units and replace another 26 units. Twelve new or retrofitted units are for the Homeownership Entry Level Program, which provides assistance to prospective first-time homebuyers.

We are also lowering public housing utility costs. With declining federal funding for operating public housing we need to ensure our programs are as efficient as possible. The $700,000 budgeted for additional eco-energy retrofits will make the public housing program more affordable and sustainable over the long term by lowering operating costs.

Public housing is just part of the housing equation. We have too many working families that receive regular pay cheques but struggle to both pay the rent and put food on the table. These are people who are not eligible for public housing or income assistance. The $1.2 million rent supplement included in this Budget supports working families that are struggling to pay full market rents and is a step forward towards our goal of having healthy, educated people free from poverty.

High power costs also contribute significantly to our residents' cost of living. Recognizing how debilitating the rising cost of living can be, we are allocating $15.6 million to offset a portion of the NWT Power Corporation's upcoming rate increase. Although we are unable to absorb the entire power generation cost increases at the NTPC, this investment will moderate the transition to higher rates.

Going forward, we're looking at regulatory improvements that will avoid the need for such drastic price increases by providing for an annual indexing mechanism.

We also want to help families lower power bills through initiatives that support energy conservation. That's why we are continuing the popular Energy Efficiency Incentive Program with an investment of $350,000. Rebates on more efficient models of appliances such as fridges and washing machines can help decrease overall power consumption.

This Budget includes $500,000 to establish Child and Family Services Committees in five communities. These committees allow communities to take a more active role in supporting children and families in a culturally appropriate manner.

Children are our future and we all work together to ensure that they have the support they need. The legal system can be intimidating, difficult and stressful for them. The Children's Lawyer gives children a voice in child custody or child protection actions and helps the Court in resolving matters more quickly and with better outcomes for children. This Budget commits $150,000 to finalize the creation of this office.

This government understands that action is needed to address family violence. We remain committed to implementing recommendations of the *Framework for Action on Family Violence*. Part of our plan is an investment of $137,000 for a RCMP Family Violence Coordinator. This coordinator will ensure RCMP officers have consistent information and training to deal with family violence. The position can also provide a dedicated RCMP liaison for frontline workers and social program agencies. The result will be a more effective response to family violence.

Supporting our Communities

This Budget not only supports our residents but also the communities in which they live. We know that people flourish in sustainable, vibrant and safe communities.

The 2012-13 Budget provides over $69 million so community governments can provide a variety of programs such as municipal services, water and sewer, and community sport and recreation programs.

We will continue to provide stable and predictable funding so that communities can manage their infrastructure. This fiscal year, the GNWT will continue to provide $28 million to our 33 communities, in addition to the flow through of $15 million under the Federal Gas Tax Agreement to support community infrastructure priorities.

We also continue our efforts to improve delivery and access to programs and services in our communities. In 2012-13 we'll be opening five new single-window service centres in Sachs Harbour, Tsiigehtchic, Tulita, Fort Liard and Gamètì. Building on the eight already in existence, these service centres will continue to improve access to government services in small and remote communities.

We remain committed to developing governance and autonomy at the municipal level. To help make this happen, we're investing $185,000 to conduct legal surveys to help transfer title of Commissioner's Land in and around Délı̨ne as part of the implementation of the Délı̨ne Self-Government Agreement. To further the goal of effective and efficient government, we are spending $462,000 to continue the Regional Land Administration Program right across the NWT.

Another step towards building sustainable communities is our investment in local and renewable sources of energy that reduce reliance on environmentally unfriendly and costly diesel-generated power. An investment of $100,000 will help the NT Energy Corporation match communities with potential hydro and other renewable energy projects to reduce energy costs and greenhouse gas emissions. To promote more energy efficiency, $200,000 is budgeted for the work of Regional Energy Advisors that visit communities to conduct home energy audits, training and workshops. These investments support our goal of creating sustainable communities, and an environment that will sustain present and future generations.

The Town of Inuvik is facing the imminent depletion of its natural gas source and we are committing $100,000 to help the town's residents and businesses install wood pellet stoves and boilers. An additional $100,000 will be invested in exploring medium to long term options for Inuvik's natural gas shortage. We will use what is learnt in Inuvik to support other communities facing supply uncertainty, such as Norman Wells.

Mr. Speaker, community safety is a shared responsibility and we all have a role. While economic development is positive, we know that many communities are struggling with the impacts of high amounts of disposable income that can lead to higher levels of alcohol and drug abuse. This Budget invests $276,000 in actions to monitor the impact of economic development on our residents and implement a *Community Safety Strategy*. The work will involve assessing and sharing best practices and defining community strengths and resources that keep communities safer. This will include working in

conjunction with the RCMP to develop specific plans based on the priorities of the communities. Together we will build safer communities where people can thrive.

Supporting our Economy

As our economy recovers, we will make sure Northerners and their communities benefit as much as possible from this growth. We will do this by expanding the economic opportunities available across the NWT.

We have been talking about the need to secure lasting benefits from economic growth to smooth out the boom and bust cycles of our resource-based economy. The implementation of the *Macroeconomic Policy* developed in the last Assembly will allow us to bring economic considerations to bear more heavily in our business planning. The *Policy* will be used to evaluate investments made to grow the economy and to measure how our efforts are working.

We have to expand our conversation about economic diversification and growth from the need to do something to a plan to do something. In 2012-13, we will invest over $1 million to develop a *Mineral Development Strategy* and an *Economic Development Strategy* to guide our economic policies, programs and services. We look forward to hearing from Northerners about how we can craft strategies that will help us achieve our goal of a diversified economy where every community and region has opportunities and choices.

Mining is a cornerstone for robust growth in our economy. We have long heard about the rise of the west. Now it's time for the rise of the north, and a cohesive strategy for mineral development will ensure we play a leading role. The territory-wide *Mineral Development Strategy* for the NWT will celebrate the successes we've enjoyed as a result of mining, but it will also address the challenges. There is no time like the present to address the challenges of one diamond mine approaching the latter half of its life and the other nearing its mid-point. We also need to address exploration expenditures well below historical highs and unfavourable industry perceptions of the NWT's regulatory regime.

Developing a plan for mineral development, with input from all levels of government, citizens, and industry will help us sustainably realize our full mineral potential. As we near the completion of a devolution agreement for non-renewable resources, this *Strategy* will guide our activities during and after the transition of responsibilities.

At the same time, we will continue to maximize the benefits from the mines we already have. We continue to invest in the Mining Workforce Initiative which is aimed at increasing the number of mine employees living in the NWT. Increasing our population will grow our revenue and economic base.

A diversified economy needs more than just mines. It needs tourism operators, manufacturers, thriving service and creative industries, and much more. By engaging with our stakeholders we will produce a new *Economic Development Strategy* to help us achieve our goals to diversify and put us on a path to prosperity that works for everyone.

Once the proposed Land Use Sustainability Framework is completed, it will guide decisions on land use planning and management and will support the mineral and economic development strategies. These three pieces will support our vision for sustainable development in our territory in the years to come.

Our commitment to the traditional economy is highlighted in this year's tenth anniversary of the revitalized Genuine Mackenzie Valley Furs Program, a model for other programs across the country. This program works because it provides income directly to trappers, and because it gets youth out on the trap line. With this year's record-breaking fur prices, and nearly 2,300 youth in the Take a Kid Trapping Program, our traditional economy should continue to thrive for years to come.

Tourism remains a key economic priority in our plans for economic development and diversification. In 2012-13, the GNWT will invest $10.4 million in tourism. The new marketing plan from NWT Tourism contains some exciting ideas to bring new visitors to experience the natural beauty of our territory. As well, this year we're spending $100,000 to host the national Committee on Internal Trade meeting. This is an excellent opportunity to showcase the NWT's economic and tourism potential to the rest of Canada. We are continuing our ongoing support for our outfitting industry with $300,000 for the Sports Hunter Outfitter Marketing Support Program.

NWT businesses will also benefit from over $137 million in capital investment planned for 2012-13. Our capital investment will employ Northerners and continue to provide a strong activity base for our construction industry. Combined with the increased activity expected in private non-residential construction in 2012, our construction industry is well poised to see strong growth this year.

Recognizing the challenges experienced by small businesses, we continue to support small businesses in building our economy. In 2012-13, $3.9 million will be available under the Support for Entrepreneurs and Economic Development Program. We are also providing $200,000 in rebates to implement energy conservation and efficiency measures by NWT businesses that save on heating, water and electricity bills.

Supporting our Environment

Mr. Speaker, sustainable economic development is only achieved by protecting the environment. We expect to spend almost $66 million in 2012-13 to protect our environment by making sure our resources are used wisely and that people understand their part in keeping the environment healthy.

In addition to ongoing work to implement environmental protection strategies started in previous assemblies, we are investing $905,000 in this Budget to negotiate transboundary water agreements. These agreements will protect the quantity and quality of water entering the NWT from neighbouring jurisdictions, particularly Alberta, and they are a promise to protect the ecological integrity of the Mackenzie River Basin while allowing people to continue to choose a traditional way of life. This additional funding will bring our total investment in our *NWT Water Stewardship Action Plan* to $3.2 million.

We are committed to reducing greenhouse gas emissions, with the dual goal of reducing energy costs for residents and businesses. This Budget invests $6.4 million to fund new and ongoing energy projects and initiatives. This includes $1.8 million in base funding to the Arctic Energy Alliance, $470,000 for ongoing energy planning work, $654,000 for capital asset retrofits, and another $3.5 million in new initiatives.

The $3.5 million in new energy initiatives includes the $1.55 million previously mentioned for our energy efficiency programs, the NWT Housing Corporation's retrofits, and alternative energy options in communities. We are also including $150,000 in this Budget to renew the *NWT Energy Plan,* which will establish our priorities and approaches towards energy over the next decade.

We are exploring alternative energy sources such as biomass, geothermal, wind, water and solar that will help communities reduce their dependency on diesel-generated power. The forthcoming *Solar Energy Strategy*, exploration of our geothermal potential, and our $800,000 investment in the NT Energy Corporation continue our efforts to displace fossil fuels. Such investments use the natural endowments of the land to support our goal of creating an environment that sustains present and future generations.

Another $100,000 will be invested in the implementation of the *Biomass Energy Strategy*. As the price of fuel oil rises, generating heat and power using wood and wood pellets can help make our communities more sustainable. Over the long-term, locally produced pellets could also help diversify our economy.

We are continuing our program to reduce the government's dependence on non-renewable energy with an additional $850,000 for the installation of biomass and electric boiler systems at the Deh Gah School in Fort Providence and Fort Smith's Northern Lights Long Term Care Facility. This capital investment, which will be brought forward as a supplementary appropriation later this Session, will displace another 172,000 litres of fuel oil annually, saving us $136,000 per year. These two projects will reduce greenhouse gas emissions by an estimated 470 tonnes per year.

We also recognize the challenges resulting from climate change. This Budget adds $142,000 provided by the Building Canada Plan for research and pilot projects to be undertaken by the Department of Transportation to deal with the impacts of climate change on infrastructure, bringing total funding this year to $406,000. Such research will provide the GNWT and other interested stakeholders with best practices to mitigate and adapt infrastructure to the impacts of climate change, such as permafrost degradation.

Revenues

Mr. Speaker, this Budget introduces no new taxes. We will not be adding to the rising cost of living of Northerners. We also know that a stable and competitive tax system encourages job creation, as well as business and economic growth.

However, we will continue our policy of indexing taxes and fees to inflation where possible and practical. Steady and stable indexing avoids large painful adjustments in the future.

We expect our modest economic recovery will bring in more tax revenues. But we will continue to closely monitor our revenues, particularly if the economic recovery is slower than expected. As our most volatile revenue source, corporate income tax exposes our budgets to swings in balances.

We are investigating the possibility of a Revenue Stabilization Fund, similar to that in other provinces, to more actively manage sharp increases and decreases in revenues.

Looking Forward

Mr. Speaker, this Budget, and the fiscal plan it is built on, sets the path for achieving this Assembly's priorities. But this is a marathon, not a sprint. Today, we are strategically investing in priorities for our people, our environment and our economy while rebuilding our cash reserves. Tomorrow, we will be ready to invest in the big infrastructure projects that will further strengthen and diversify our economy.

Projects such as the Inuvik to Tuktoyaktuk portion of the Mackenzie Valley Highway in partnership with Canada. This 135 kilometre all-weather road is currently undergoing an environmental assessment and when complete will support sustainable economic development and lower the cost of living in the region. It will also advance the dream of connecting Canada from coast to coast to coast.

Lowering the cost of living is not only achieved through road access but also through access to lower cost power generated from hydro or other alternative energy initiatives. The last few years have demonstrated the need to think outside the box as the energy resources that our communities have relied on are depleted. We will continue to make development of renewable energy sources a priority of this government so that NWT residents will benefit from new technology that will lower costs, diversify our economy and energy base and reduce our greenhouse gas emissions.

Achieving our goal of healthy people free from poverty will require investments in improving our housing stock and addressing our health facilities deficit.

We will also continue to explore the possibility of a Public-Private-Partnership for a fibre optic cable from Fort Simpson to Inuvik. This $65 million fibre link project could transform the economic base of the NWT by promoting economic growth in knowledge-based industries, diversifying the private sector and improving its competitiveness. We also look forward to its potential to revolutionize government service delivery by improving community connectivity up and down the valley.

We're confident that these and other new projects will become realities over the medium-term as we build our cash reserves over the next two years through budgetary surpluses and fiscal restraint. We will talk to NWT residents, businesses and

governments to understand where they see opportunities for savings as well as how they see the GNWT allocating future fiscal resources to make investments.

But infrastructure is not the only precursor for a strong and sustainable future. We need control over our lands to ensure our future reflects the vision of Northerners.

We are in negotiations to finalize the Devolution Agreement-in-Principle signed in January 2011. Devolution means decisions about public land, resources and water will be made in the NWT, instead of Ottawa. The final agreement will establish the funding to run the devolved programs as well as provide a net fiscal benefit through a resource-revenue sharing agreement.

Every day without a final agreement means another $165,000 of resource revenue leaves the NWT – about $60 million a year. The resource-revenue sharing agreement will return these revenues to the North to be used to benefit our people, by helping meet the infrastructure needs of NWT communities and by building our legacy Heritage Fund.

The GNWT has offered to share 25 per cent of the resource royalties generated by development on public lands with Aboriginal governments. This would be in addition to any resource royalties the Aboriginal governments themselves receive from development on settlement lands.

This Budget provides $9.3 million for the negotiation and implementation of the final devolution agreement, including money for engaging Aboriginal governments and funding their participation in the final agreement negotiations. As this process unfolds, we must ensure all of the players have a voice and place at the negotiating table. We hope to have an agreement completed by the end of 2012 and will work on implementing it over the following 18 months.

Devolution is critical to ensure that decisions about our land and resources are based on northern priorities of sustainable development and that our future reflects our vision.

Conclusion

With this Budget, we are starting to build that future by firmly committing to our plan of long-term fiscal sustainability. This Budget makes progress towards the priorities we set just seven months ago. It won't all happen in one budget, but we present this Budget as a solid start.

Over the past three months, we've seen budget after budget tabled across Canada calling for curbs or cuts to spending to raise governments out of years of deficits. Our residents can take pride in a budget that returns us to balance while protecting the valuable programs and services we rely on.

This balance is critical to restoring fiscal sustainability, paying down short-term borrowing, and rebuilding cash reserves to invest in critically needed infrastructure in the future. Rebuilding today will put us on solid financial footing to invest aggressively tomorrow.

Mr. Speaker, we believe the best way to predict the future is to create the conditions to achieve it. We see the challenges facing our economy, but we also see the opportunities. Our sound financial management will allow us to address these challenges and seize these opportunities to plan and build the tomorrow we want for the NWT.

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May 24, 2012

ECONOMIC REVIEW

Outlook

The economy of the Northwest Territories (NWT) is expected to continue its struggle to recover from the global economic recession of 2008 and 2009. Real gross domestic product (GDP) is forecast to increase 6.5 per cent in 2012 from 2011. Nevertheless, because of the severe impact of the recession on the NWT's resource-based export economy, 2012 GDP will be 20 per cent below the pre-recessionary high reached in 2007. Employment is not expected to return to pre-recession highs until 2013.

The NWT economy is heavily dependent on international trade – in 2010, international exports constituted 47 per cent of NWT GDP, a decrease of 55 per cent from 2007. International trade is expected to remain fragile in 2012 and remains subject to downside risks. These risks include the economic downturn in Europe, volatility of global financial markets and rising petroleum prices. As demonstrated in 2008, when NWT diamond production fell dramatically as a consequence of the financial crisis, distant events can have large impacts on the economy of the NWT.

The world economy will continue to rebalance as emerging economies, including China and India, undergo rapid economic growth and advanced economies, such as the United States, experience modest growth, while some in the euro-zone have negative growth. This rebalancing will add uncertainty to financial, commodity, and currency markets.

A number of NWT mine projects are in the advanced stages of permitting. These include the Gahcho Kué diamond project, a joint venture by De Beers Canada and Mountain Province Diamonds. Construction could begin in 2015 with production in 2017. Other mining projects include Tyhee Gold Corp.'s gold mine north of Yellowknife, Avalon Rare Metals Inc.'s Thor Lake project and Fortune Minerals' NICO cobalt-gold-bismuth mining project near Whatì. Mineral exploration is recovering from the crisis but at a rate below the pace of recovery in other provinces and territories.

Expenditures by the government sector are expected to decline as programs designed to mitigate the recession end and governments address their fiscal positions.

Table 1- Economic Outlook

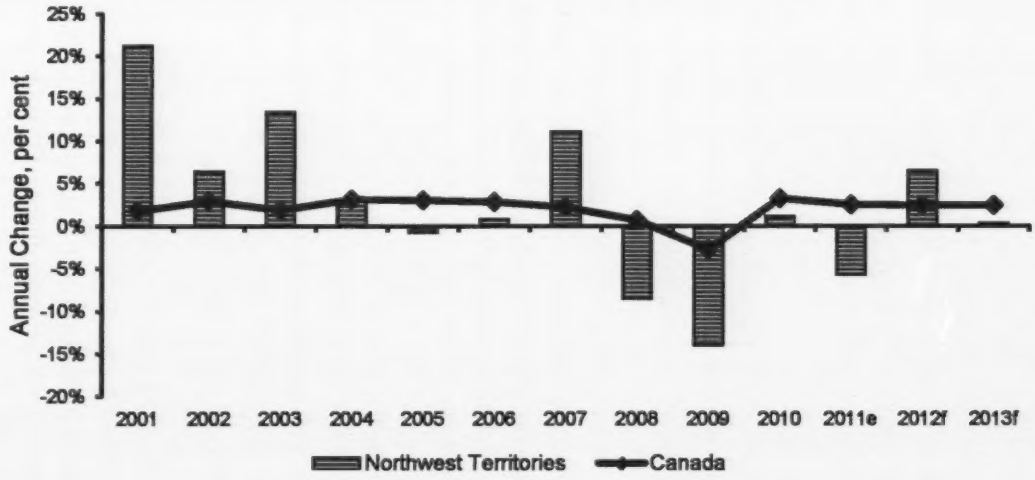
Indicator	2007	2008	2009	2010	2011e	2012f
Gross Domestic Product, chained (2002 $) millions	3,938	3,602	3,098	3,132	2,952	3,143
% change	11.1	-8.5	-14.0	1.1	-5.8	6.5
Total Investments, chained (2002 $) millions	1,729	1,376	870	1,122	1,025	1,210
% change	3.3	-20.4	-36.8	29.0	-8.6	18.0
Personal Expenditures, chained 2002 $ millions	1,207	1,237	1,225	1,242	1,250	1,280
% change	4.1	2.5	-1.0	1.4	0.6	2.5
Government Expenditures, chained 2002 $ millions	1,168	1,210	1,245	1,260	1,284	1,279
% change	1.9	3.6	2.9	1.2	1.9	-0.4
Exports, chained 2002 $ millions	2,912	2,598	2,159	2,218	2,039	2,255
% change	16.5	-10.8	-16.9	2.7	-8.0	10.5
Imports, chained 2002 $ millions	3,080	2,868	2,405	2,799	2,692	2,886
% change	5.6	-6.9	-16.1	16.4	-3.8	7.2
Employment, number of persons	23,400	22,700	21,300	21,500	22,700	23,200
% change	1.3	-3.0	-6.2	0.9	5.6	2.2
Average Weekly Earnings, dollars	1,005	1,090	1,145	1,191	1,245	1,277
% change	3.2	8.5	5.0	4.1	4.5	2.5
CPI All-Items (Yellowknife, 2001 = 100.0)	110.8	115.2	115.9	117.9	121.6	123.8
% change	2.9	4.0	0.6	1.7	3.1	1.8

Source: Statistics Canada and the NWT Bureau of Statistics
(e) estimate
(f) forecast

2011 Economic Performance

Recovering from the global financial and economic crisis in 2008 was challenging for the NWT economy. Real GDP (the inflation-adjusted value of all goods and services produced) is estimated to have fallen 25 per cent from its pre-recession level in 2007 to 2011. Real GDP fell 14 per cent in 2009 then stabilized in 2010 with a 1.1 per cent increase. In 2011, real GDP is estimated to have decreased 5.8 per cent from 2010.

Real Gross Domestic Product, annual change, NWT and Canada



f: Forecast
Source: Northwest Bureau of Statistics, Statistics Canada and NWT Finance

The economic decline was led by a 43 per cent decline in carat production in the diamond industry from 2007 to 2011. The reduction reflects a number of factors including the move to underground operations, accessing lower grade ore consistent with mine plans, and the summer mine shut-downs in 2009. A fourth diamond mine, Gahcho Kué, is expected to begin production in 2017. Industries linked to the diamond mines, such as transportation and wholesale industries, had large declines in their growth rates between 2007 and 2009 before stabilizing in 2010. Growth rates for service industries moderated after 2007 but continued to post small increases.

The NWT economy is integrated with the national and global economies. The largest private sector component of the territorial economy is the non-renewable resource sector where prices are established in world markets and NWT resources are shipped to global markets. The United States economy is expected to grow modestly in 2012 and 2013 and Europe to contract this year before growing slightly in 2013. However the economic forecast for Asia (including China and India) is robust with forecast increases of 7.3 per cent and 7.9 per cent in 2012 and 2013, respectively. China and India are expected to become more important customers for NWT non-renewable resources.

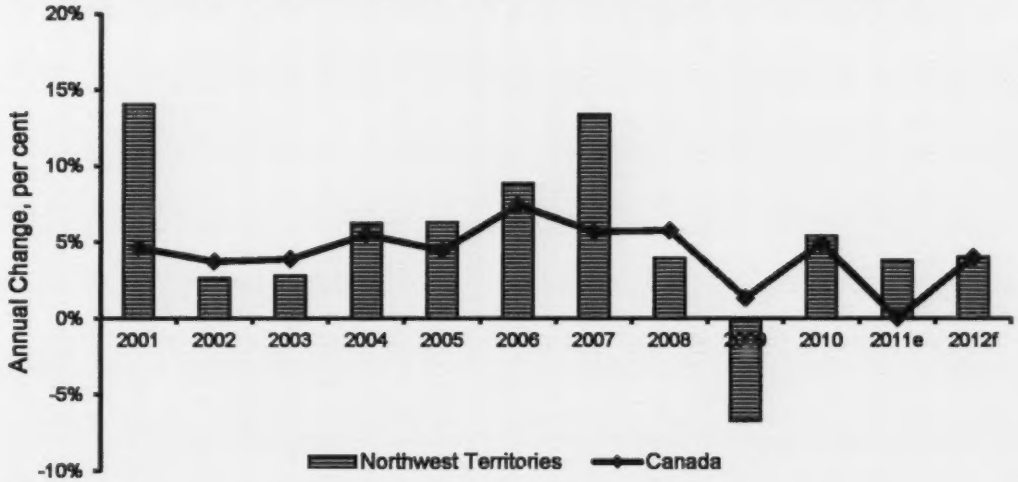
The Bank of Canada forecasts Canadian GDP will grow 2.2 per cent in each of 2012 and 2013. Household spending is expected to remain high relative to GDP as households add to their debt burden, which remains the biggest domestic risk. Business investment

is expected to remain strong. The strong Canadian dollar is expected to dampen the balance of trade.

Personal Income

Personal disposable income is the after-tax income earned by NWT residents from all sources. It supports consumer expenditures which account for about 30 per cent of the territory's GDP. Disposable income received by residents increased 5.4 per cent from 2009 to 2010, after a 6.7 per cent decrease from 2008 to 2009. Labour income, a large component of personal income, increased 6.4 per cent in 2011, which suggests personal income will also grow in 2011. At the national level, where consumer expenditures account for over 55 over cent of GDP, personal disposable income increased 4.9 per cent from 2009.

Annual Percentage Change in Personal Disposable Income, NWT and Canada

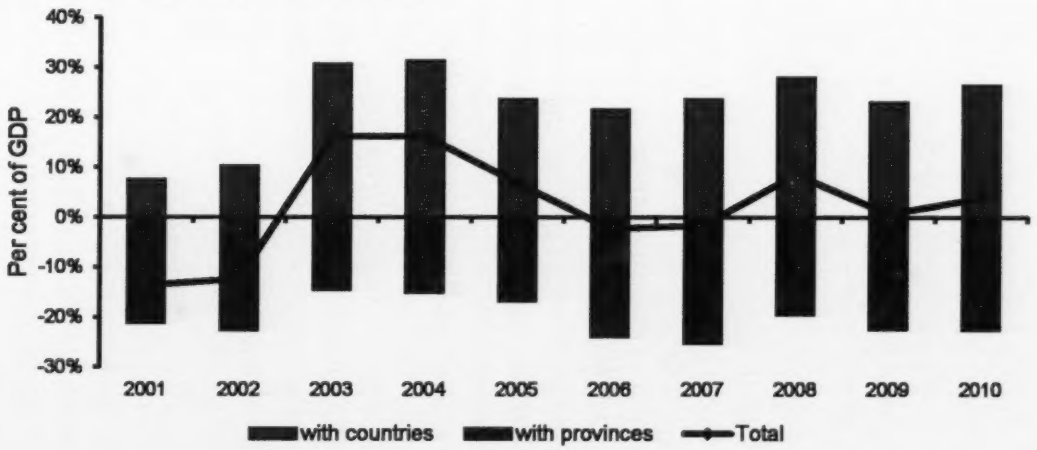


e: Estimated
f: Forecast
Source: Statistics Canada and NWT Finance

Trade

The NWT economy depends on trade with other countries and with the rest of Canada. The NWT exports natural resources to the international market and imports goods and services, mainly from southern Canada, to support industry and personal consumption. The trade surplus with other countries grew markedly during the first part of the last decade, reaching 31.4 per cent of GDP in 2004. Since that time, the trade surplus with other countries has offset the trade deficit with the rest of Canada. Over the last five years, total trade between other countries and the rest of Canada has been in near balance. In 2010, NWT trade with other countries was in surplus by 26.4 per cent of GDP and trade with the rest of Canada was in deficit by 22.6 per cent of GDP. The net NWT trade balance in 2010 was 3.9 per cent, an increase of 0.7 per cent of GDP in 2009.

NWT Trade Balance, per cent of GDP



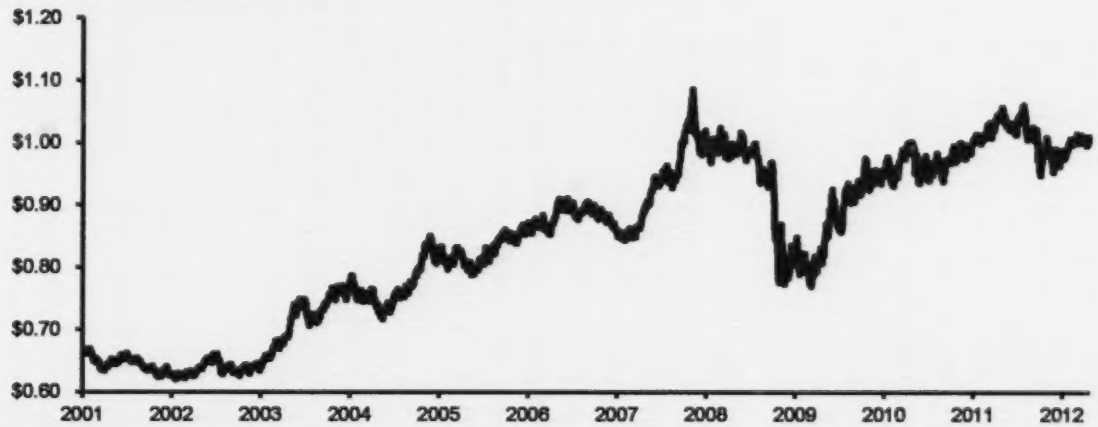
Source: Statistics Canada and NWT Finance

Exchange Rate

The value of the Canadian dollar in international exchange markets has a direct effect on the health of the NWT economy. A strengthening Canadian dollar means that territorial businesses that export their production get paid less after the currency conversion. This is offset to the extent that capital equipment and other capital goods are imported from outside Canada. The effects are reversed when the Canadian dollar declines; businesses get paid more for their products after currency conversion while foreign imports cost more.

The Canadian dollar averaged US$1.01 in 2011, a 4.2 per cent increase from the 2010 average of US$0.97.

US/Canada Exchange Rate

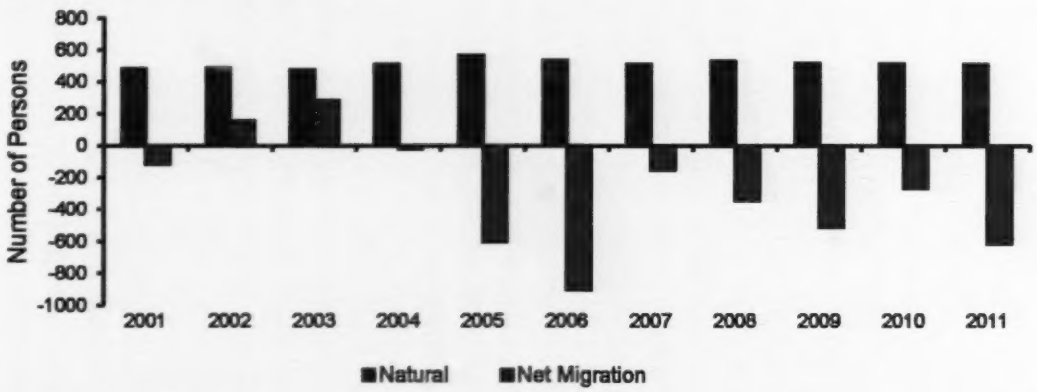


Source: Bank of Canada

Population

The NWT population was estimated to be 43,675 persons on July 1, 2011, a decrease of 155 persons, or 0.4 per cent, from July 1, 2010. Three factors account for population change: natural change, interprovincial migration and international migration. Between July 1, 2010 and July 1, 2011 natural population change consisted of 730 births and 218 deaths, resulting in a net increase of 512 persons. Inter-provincial migration accounted for 2,325 persons moving into the NWT from the rest of Canada, while 2,988 persons moved out, leaving a net loss of 663 persons. Internationally, there was a net out-migration of 4 persons.

Change in the NWT Population



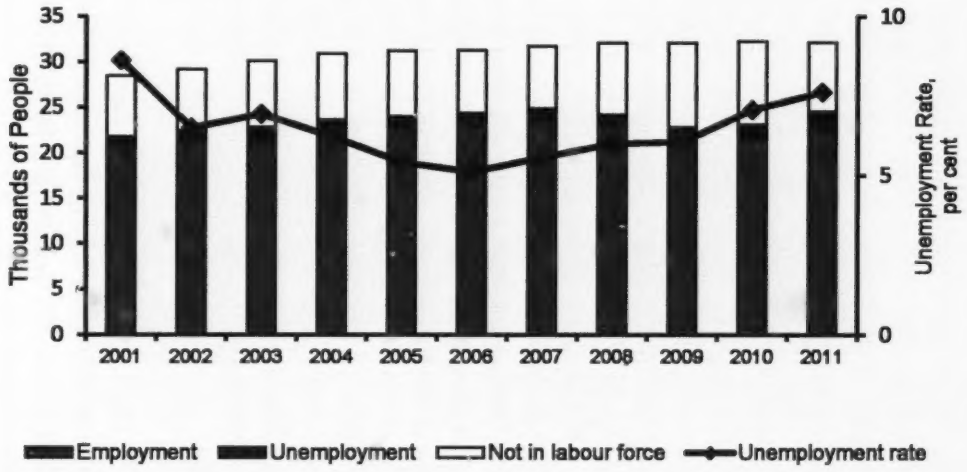
Source: NWT Bureau of Statistics

Labour

NWT employment in 2011 averaged 22,700 persons, an increase of 1,200 from 2010; however, it remained 700 persons below the 2007 pre-recession maximum. Employment is forecast to reach 23,500 in 2013 and exceed its 2007 level. The labour force participation rate is the share of the population 15 years of age and older currently employed or actively seeking employment. In 2011 the participation rate averaged 76.3 per cent, an increase from 71.7 per cent in 2010 but below the 78.4 per cent reached in 2007.

The increase in the participation rate from 2010 to 2011 led to a corresponding increase in the average unemployment rate from 7.1 per cent in 2010 to 7.6 per cent in 2011 as more people entered the labour market than were able to secure employment. The average 2007 unemployment rate was 5.6 per cent.

NWT Labour Force Characteristics

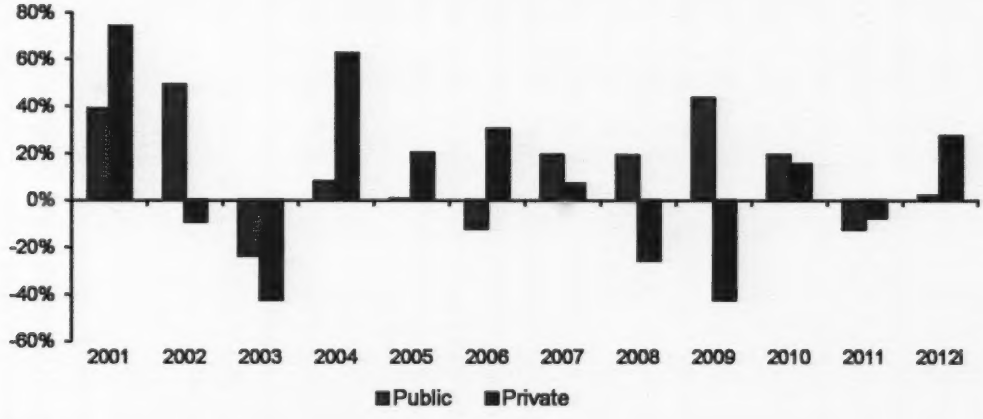


Source: NWT Bureau of Statistics and Statistics Canada

Investment

Total capital expenditure intentions for 2012 are 21 per cent above estimated capital expenditures in 2011. Private sector capital expenditures are expected to increase from $849 million in 2011 to $1,080 million in 2012, an increase of 27.3 per cent. The main reason for the increase in private sector capital expenditures is the mining and oil & gas extraction industries, whose expenditures are expected to rise from $587 million in 2011 to $789 million in 2012, an increase of 34.4 per cent. Capital expenditures by the public sector, having been ramped up during the recession as an element of the GNWT's economic stimulus program, will stabilize at $299 million in 2012, an increase of 1.9 per cent from $293 million in 2011, but below the 2010 peak of $333 million.

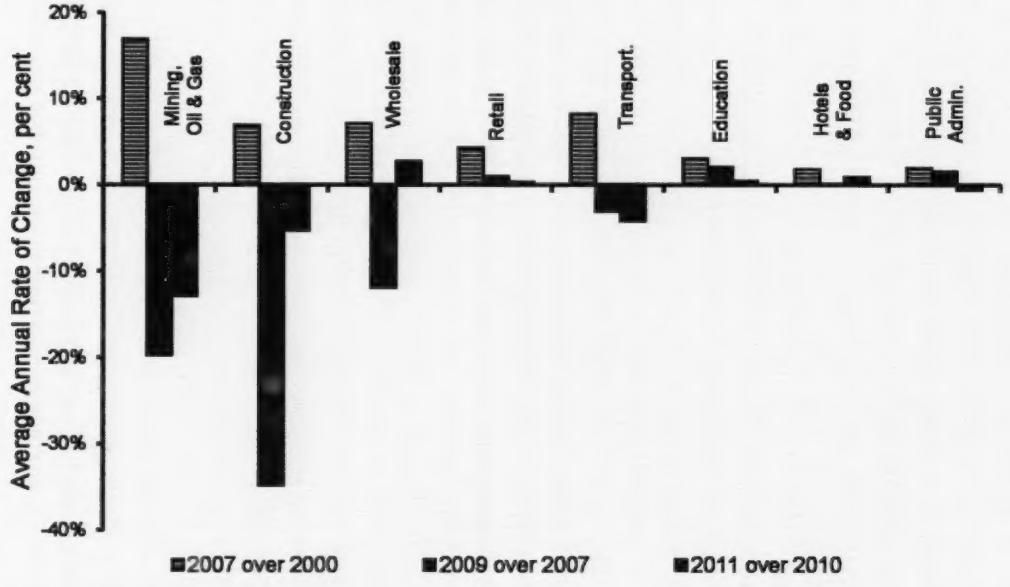
Annual Change in NWT Public and Private Capital Expenditures



i: intentions
Source: NWT Bureau of Statistics and Statistics Canada

Economic Performance by Sector

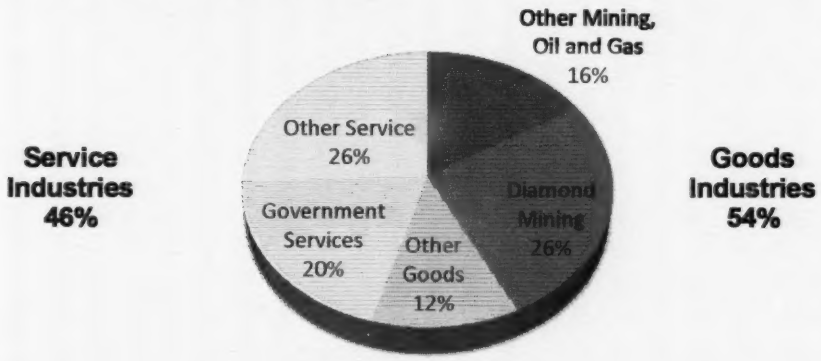
Real Growth Rates of Selected NWT Industries



Source: Statistics Canada and NWT Finance

The NWT economy is almost evenly balanced between goods-producing industries and service-producing industries. Goods-producing industries require more capital investment per unit of output and are more sensitive to fluctuations in global financial and credit markets. Service-producing industries are more labour intensive and accounted for over 80 per cent of territorial employment in 2011.

Structure of the NWT Economy, 2008



Source: NWT Bureau of Statistics and Statistics Canada. The latest available data is 2008.

Goods-Producing Industries

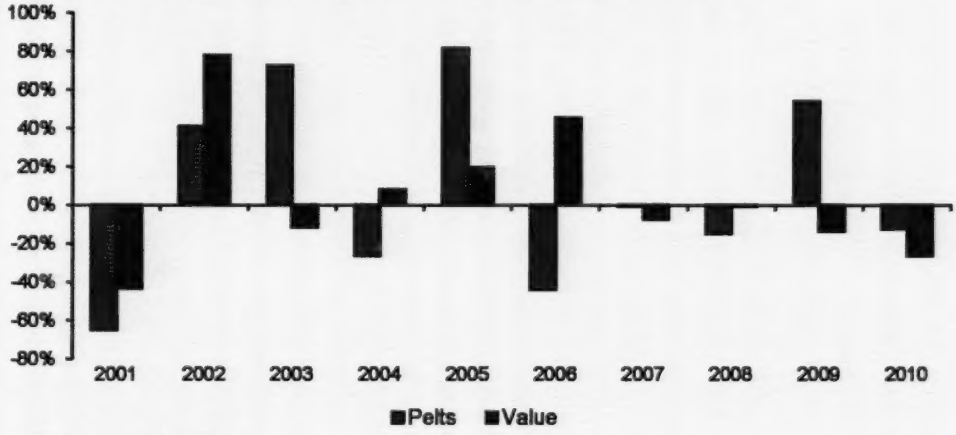
The goods-producing sector accounted for 54 per cent of NWT GDP in 2008, compared to about 33 per cent of Canada's economy. Resource extraction industries dominate the goods-producing sector in the NWT. Diamond mining was responsible for 26 per cent of 2008 GDP and other mining, oil and gas accounted for 16 per cent. The remainder is comprised of renewable resources, construction, utilities and manufacturing activities.

Fur Harvest

Trapping remains an important source of income for many people in the NWT, especially in smaller communities. For the year ending June 30, 2010, the value of fur sales was $831 thousand, a decline of 26 per cent from the previous year.

However, fur auction results for early 2012 indicate very strong prices. The average price of marten has risen to $110.90 per pelt, an increase of 47 per cent, and the average price of muskrat increased 84 per cent to $7.87 per pelt. Marten and muskrat account for over three quarters of the value of NWT fur sales.

Annual Percentage Change in the Number and Value of NWT Pelts



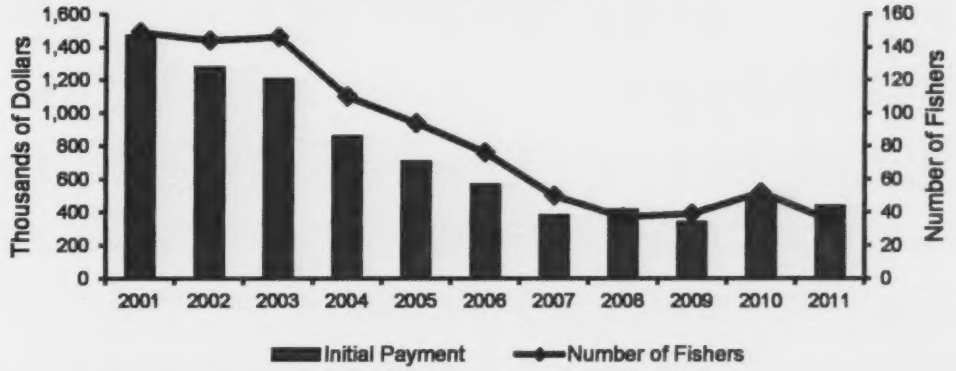
Source: NWT Bureau of Statistics

Commercial Fishing

The commercial fishery in the territory is a small but valued part of the economy. Fish exported from the Territories are marketed through the Freshwater Fish Marketing Corporation, a federal Crown corporation mandated to market fish harvested in Northwestern Ontario, the three prairie provinces and the NWT.

Initial payments to NWT fishers – on a delivery-point, net-of-freight basis – declined 12 per cent from $496 thousand in 2010 to $435 thousand in 2011, while the weight delivered declined 6 per cent from 385 thousand kilograms in 2010 to 360 thousand kilograms in 2011.

NWT Export Fishery: Sales and Number of Fishers



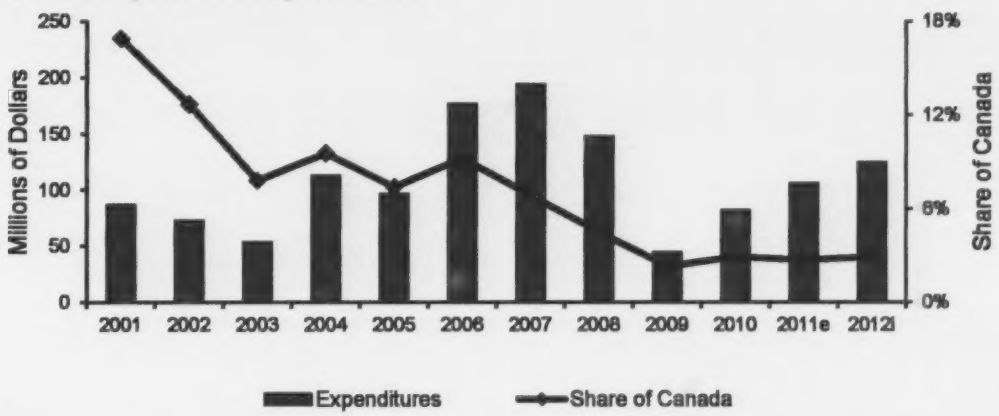
Source: Freshwater Fish Marketing Corporation

Exploration and Deposit Appraisal

Exploration expenditures include a range of mineral exploration activities, including field work, overhead costs, engineering, economic and pre-construction feasibility studies, and environmental and land access costs. Exploration expenditures in 2011 are estimated to have been $105.4 million, an increase of 29 per cent from 2010. Exploration and deposit appraisal expenditures rose nationally by almost 42 per cent. NWT exploration expenditures as a share of total Canadian spending declined from 2.9 per cent in 2010 to 2.7 per cent in 2011.

Based on 2012 intentions, NWT mineral exploration and deposit appraisal expenditures will nearly recover to 2008 levels; however, there is a shift in resource composition. In 2012 diamond exploration will represent only one-third of expenditure intentions down from two-thirds in 2008. Exploration and deposit appraisal for other minerals, including rare earth metals, will increase to 40 per cent of the NWT total in 2012 from 6 per cent in 2008, overtaking diamond exploration for the first time.

NWT Mineral Exploration Expenditures



e: estimated
i: intentions
Source: Natural Resources Canada

Precious Metals and Rare Earths

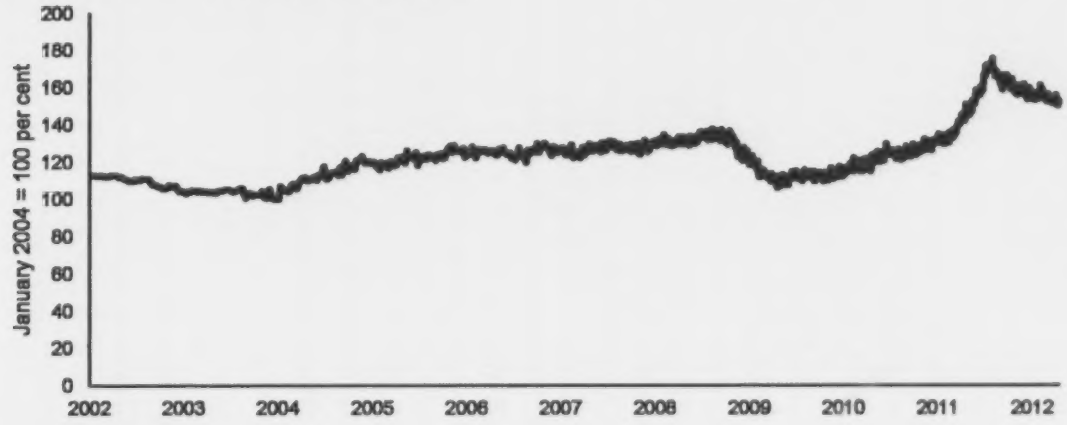
Precious metals include gold and silver. Rare earths are a group of 17 elements used in the renewable and hi-tech sectors. After many decades of gold mining in the territory, the last gold mine shut down in 2004. However, increasing prices have led to new exploration activity. The global demand for rare earths has resulted in considerable new exploration activity in the NWT, including Avalon Rare Metals Inc.'s Nechalacho rare earths deposit at Thor Lake.

Diamond Mining

The main driver of the NWT economy is the diamond mining industry, with three producing diamond mines: Ekati opened in 1998; Diavik opened in 2003; and Snap Lake opened in 2008. The owners of a fourth proposed mine, Gahcho Kué, are targeting first production in 2017.

The global diamond industry has recovered from the 2008 recession, but many of the main producers have announced strategic reviews of their diamond operations, including BHP Billiton, owner of 80 per cent of the Ekati diamond mine, and Rio Tinto, owner of 60 per cent of Diavik. Anglo American expects to finalize its acquisition of De Beers, which includes the Snap Lake mine, in late 2012.

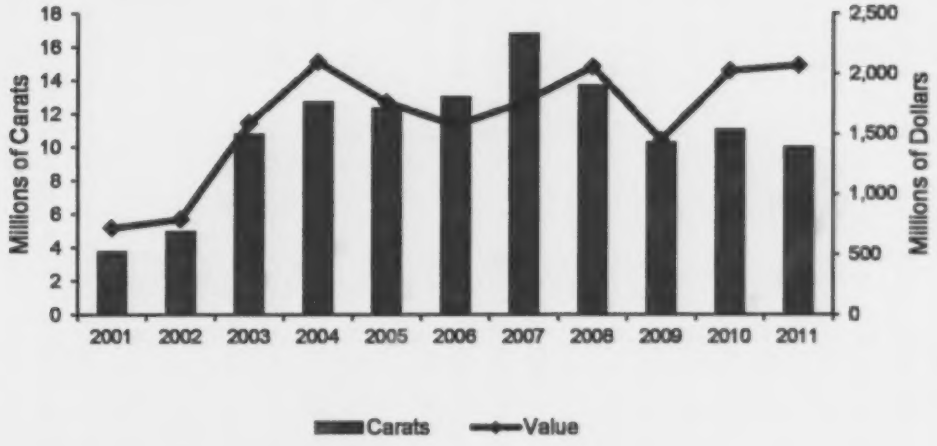
Polished Diamond Price Index, Overall



Source: PolishedPrices.com

In 2011, carat production at NWT diamond mines declined by 9 per cent from 2010. During the same period, the volume of ore processed declined by 2 per cent and the average grade of ore, in terms of carats per tonne processed, declined by 6 per cent, consistent with the projected mine life cycles. As a result of higher prices in 2011, total diamond production by value rose to $2.07 billion from $2.03 billion in 2010, an increase of 2.2 per cent.

NWT Diamond Shipments: Weight and Value

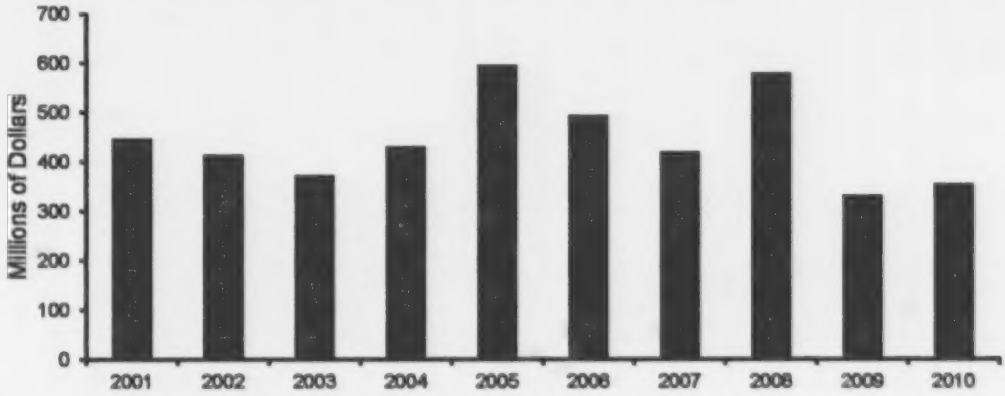


Source: NWT Bureau of Statistics and NWT Finance

Oil and Gas

Oil and gas production in the NWT is in decline due to the depletion of active reserves. Growth in production requires new discoveries and new field development to replace depleted wells. Expenditures on oil and gas activities in the NWT increased 7 per cent from $328 million in 2009 to $351 million in 2010.

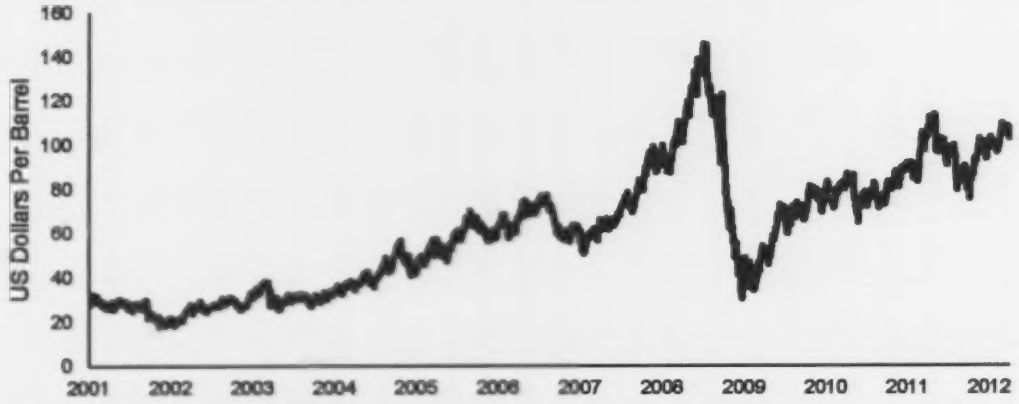
Net Cash Expenditures by the Petroleum Industry: NWT and the Arctic Islands



Source: Canadian Association of Petroleum Producers

Crude oil prices peaked on July 3, 2008 at US$145 per barrel before collapsing to US$40 at the beginning of 2009. Since that time prices have recovered. Average oil prices increased 20 per cent from 2010 to 2011, averaging US$94.86 per barrel in 2011. The price reached an annual high of US$113.39 per barrel on April 29, 2011.

Price of Oil: US Dollars per Barrel



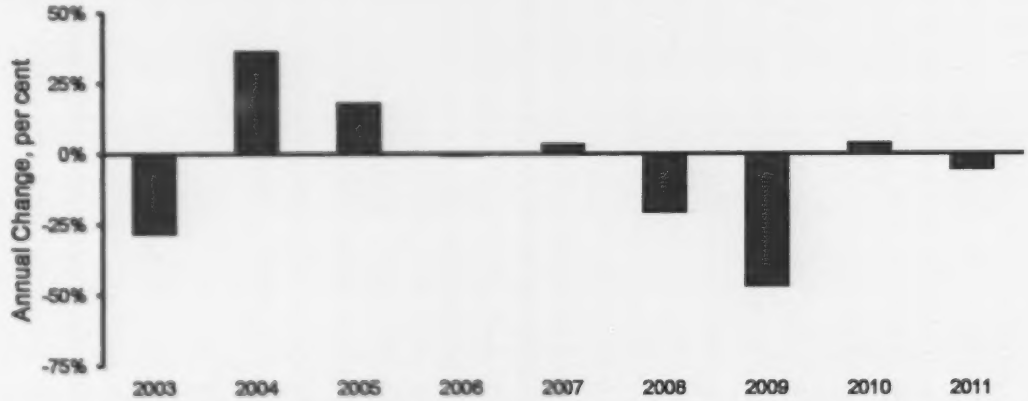
Cushing West Texas Intermediate Spot Price
Source: U.S. Energy Information Administration

Construction

The construction industry includes residential construction, non-residential construction, and engineering services. The construction sector accounted for 10.4 per cent of the territory's 2008 GDP, the latest year for which data are available. Almost half of the value of construction was other engineering construction, and one-fifth was oil and gas engineering construction. Residential and non-residential construction together accounted for less than 12 per cent of total construction.

Construction activity decreased 5.3 per cent from 2010 to 2011; it remains 59.3 per cent below 2007 levels. From 2010 to 2011 residential construction declined 5.9 per cent, non-residential construction decreased 37.4 per cent and oil and gas engineering construction fell by 50.0 per cent.

Annual Percentage Change in the Value of Construction Activity, chained (2002) dollars

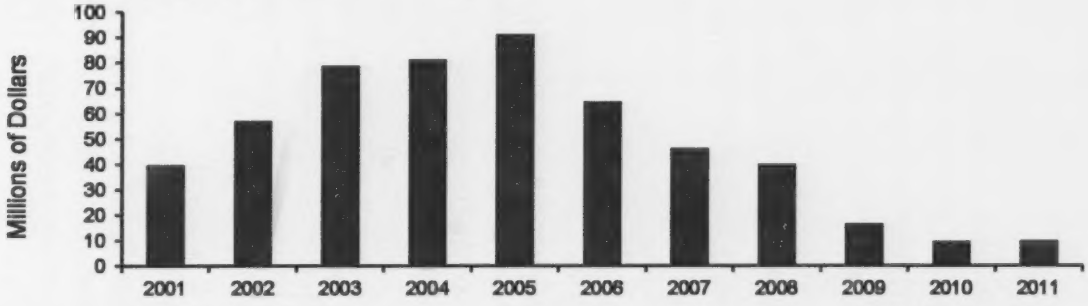


Source: NWT Bureau of Statistics and Statistics Canada

Manufacturing

The NWT manufacturing sector includes businesses such as food processors, cement and concrete producers, and jewellery artisans. The value of sales by manufacturers increased 1.7 per cent from 2010 to 2011 to $9.3 million, the first increase since 2005.

Value of NWT Shipments by Manufacturers



Source: NWT Bureau of Statistics

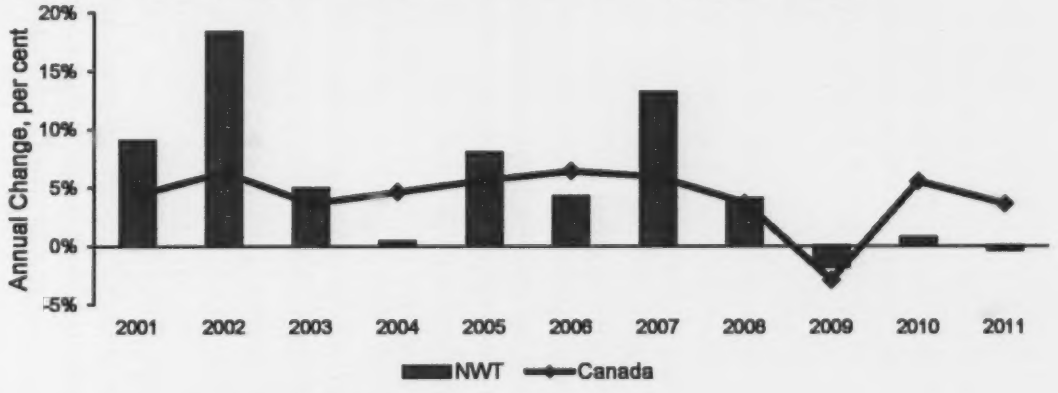
Service Industries

Service industries accounted for 45.7 per cent of NWT GDP in 2008, compared to two-thirds nationally. The service sector includes industries such as wholesalers, banks, retailers, hotels and the public sector (schools, hospitals, police and fire services, federal and territorial governments, and local and Aboriginal governments).

Retail Trade

Retail trade sales decreased 0.3 per cent from 2010 to 2011 and are 1.4 per cent below the 2008 pre-recession high. National retail sales increased 3.6 per cent from 2010 to 2011 and have fully recovered from the recession, with a 6.1 per cent increase from 2008 to 2011.

Annual Percentage Change in the Value of Retail Trade, NWT and Canada



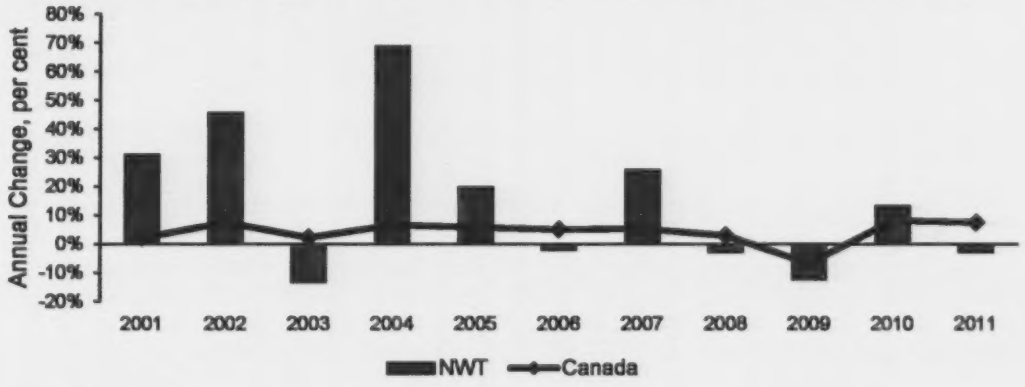
Source: NWT Bureau of Statistics and Statistics Canada

Wholesale Trade

Wholesalers distribute merchandise to retailers, businesses, and institutional customers, including the supply of equipment and capital goods. The sector is strongly influenced by capital investment and business activity.

Wholesale trade in the NWT decreased 2.8 per cent from 2010 to 2011. In 2011, wholesale trade was 9.6 per cent below its pre-recession level of 2007. By comparison, wholesale trade in Canada had fully recovered from the recession having increased 11.3 per cent from 2007 to 2011, and 7.4 per cent from 2009 to 2011.

Annual Percentage Change in the Value of Wholesale Trade, NWT and Canada

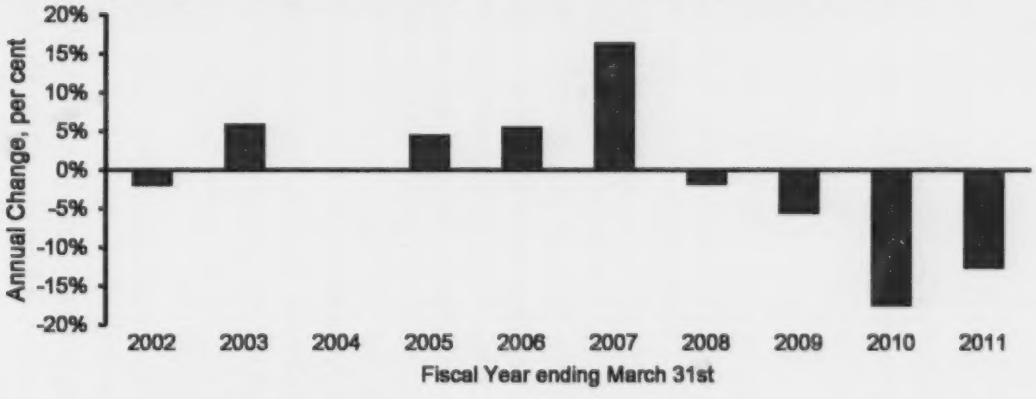


Source: Statistics Canada

Tourism

Tourism is an important part of the territory's economy, with large untapped potential. Total spending by visitors peaked in 2007 at $140 million before falling in each of the following four years, for a total decrease of 33.0 per cent from 2007 to $94 million in 2011.

Annual Percentage Change in Total Expenditures by All Travellers to the NWT



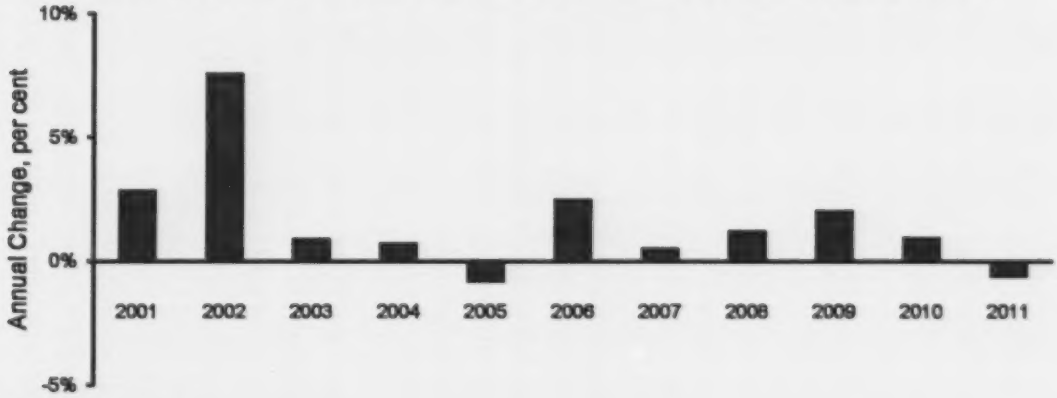
Source: NWT Industry, Tourism and Investment

Public Administration

Public administration includes all levels of government in the NWT (federal, territorial, local, and Aboriginal). This includes the courts, policing and correction services, fire protection, defence and public administration but excludes the health, social services and education sectors.

From 2010 to 2011 public administration expenditures decreased by 0.6 per cent, reflecting an end to the territorial government's fiscal response to the recession and a return to lower capital investments.

Annual Percentage Change in Public Sector Expenditures, chained (2002) dollars



Source: Statistics Canada

Macroeconomic Performance Indicators

The Government of the Northwest Territories' *Macroeconomic Policy Framework*, designed to guide its investment and policy decisions, includes performance indicators to monitor the health of the economy over time. These indicators were designed to go beyond typical measurements of economic performance or growth by capturing broader measures of economic well-being such as improvements in the quality of life, the capacity of communities, and the protection of the environment.

The performance indicators are measured against a baseline value, which is the average value of the indicator from 2005 to 2007.

After the development of the framework, the global economy underwent the most intense financial and economic shock since the Great Depression. The NWT economy, with its critical linkages to the world trade system, was particularly vulnerable to the global economic downturn. The NWT economic recovery has been unbalanced and sluggish, as measured by the performance indicators.

Indicator 1 – The size and growth of the total economy

GDP is the most comprehensive measure of the economy. However, GDP does not measure the non-money economy and cannot measure social well-being.

In 2010 NWT GDP was 14.6 per cent below its baseline value.

Indicator 2 – Productivity

Productivity is a key performance measure. It is related to increased profitability, lower costs and sustained competitiveness. Increasing productivity can promote economic growth. Productivity can be increased through labour force training, technological change and changing the labour/capital mix. Higher levels of productivity can provide higher wages and salaries and higher profits.

In 2010 productivity was 11.8 per cent below its baseline value.

Indicator 3 – New investment

New investment is a leading indicator of economic growth that measures how well the economy can be expected to do in the future. New investment undertaken by the private sector focuses on direct spending on buildings, equipment and machinery with the expectation of a positive return on the investment. Public sector investment largely focuses on health, education and infrastructure; these investments seek to achieve beneficial social outcomes.

In 2010 new investment was 30.4 per cent below its baseline value.

Indicator 4 – Income

Income growth provides evidence that people are benefitting from economic growth and is an important element in realizing the vision of self reliant people in the NWT. Two similar, but distinct measures of income are identified for measurement:

Indicator 4a – Employment income

Employment income measures the sum of all income earned through employment by NWT residents and is directly tied to jobs.

In 2010 total compensation for all jobs was 14.2 per cent above its baseline value.

Indicator 4b – Average household income

Average household income provides information about the quality and distribution of jobs among Northerners. In 2009 average household income was 5.5 per cent above its baseline value.

Indicator 5 – Employment rate

The employment rate measures the extent to which NWT residents are directly participating and benefiting from economic growth. It measures the share of people 15 years of age and older who are employed.

In 2011 the employment rate, at 70.5 per cent, was below its baseline value of 73.5 per cent.

Indicator 6 – Population growth

Population growth measures a response to economic growth and provides a base for further growth through diversification. Population changes reflect the health of the population, the robustness of the medical support system, and the economic or lifestyle incentives for people to immigrate to the NWT or to emigrate from the NWT. A growing population serves as a growing consumer market for local businesses.

In 2011 population rose 0.7 per cent from its baseline value.

Indicator 7 – Economic Linkages

Developing linkages between different industries contributes to economic growth and diversification. Four measures of strength of economic linkages were identified.

Indicator 7a – Level of imports

Imports of goods and services measure the size of existing NWT markets for inputs that already exist based on the established economic base.

In 2010 the inflation-adjusted value of imports was 9.1 per cent below its baseline value of $2.9 billion at $2.8 billion.

Indicator 7b – Wholesale and retail sales

Wholesale sales is an indicator of linkages at the production level, where producers purchase inputs from NWT suppliers or where they purchase post-production services such as transportation and communication services from NWT companies. Higher retail sales can support linkages to higher construction and transportation activity and create opportunities for more retail businesses.

In 2011 the value of wholesale sales was 7.7 per cent above its baseline.

In 2011 the value of retail sales, at $695 million, was 12.7 per cent above its baseline value of $618 million.

Indicator 7c – Fly-in/Fly-out labour

Measuring the dependence on fly-in labour highlights the capacity of the NWT resident labour force to meet the demand for workers. It depends on whether there are sufficient workers with the required skills available at the employment location. It also measures a leakage of potential consumer expenditures within the NWT economy.

In 2010 non-resident NWT labour earnings rose from a $319 million baseline to $362 million, which represents a 13.6 per cent increased loss to the NWT economy.

Indicator 7d – Growth of resource sector service industries

Specialized service sectors providing support to NWT resource industries are a principal engine of growth and diversification for the economy. Two service industries are measured.

Support activities for agriculture and forestry: In 2010 the value of support activities for agriculture and forestry was 37.7 per cent above its baseline value.

Oil & gas engineering construction: In 2010 the value of oil & gas engineering construction was 89.0 per cent below its baseline value.

Indicator 8 – Diversification

Diversification of the economy can be measured by GDP by industry, growth by sector and employment by industry. Data to support this measure is collected through the Census of Population. The most recent census data available is the 2006 census. This indicator will be calculated when the results of the 2011 census are released in 2013.

Indicator 9 – Environmental status and trends

See the *NWT State of the Environment Report*.

Summary of Findings

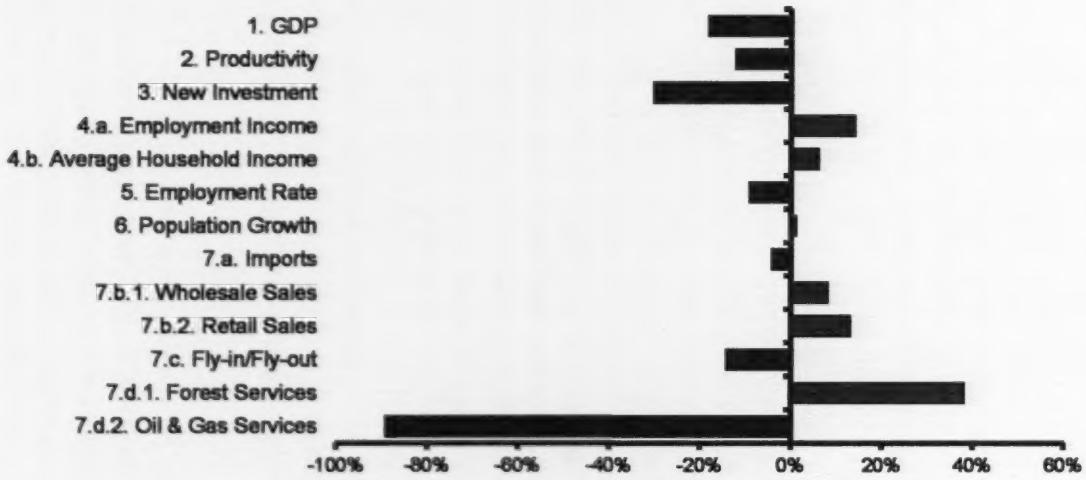
The years following the 2005-07 baseline reference period have been challenging because of the global financial crisis and economic slowdown. Of the thirteen primary and sub-indicators measured currently, seven indicators decreased in value and six increased.

Separating the effects of the 2008 global recession from general trends in the overall NWT economy is impossible. However, the NWT economy has demonstrated a low level of resiliency in responding to the recession given that many indicators have not yet returned to their pre-recession levels and the pace of recovery is slower than in other provinces and territories.

One contributing factor to the low level of resiliency is the composition and openness of the NWT economy, with people and capital free to move to more favourable provinces when faced with economic challenges at home.

The challenge for the GNWT is to identify and advance investment opportunities that will generate sustainable benefits in the context of the global economic environment in which NWT businesses compete.

Macroeconomic Indicators of Progress, 2012, Change from Baseline



FISCAL REVIEW

The 2012-13 Budget focuses on restoring fiscal balance while protecting existing programs and services. By returning to a sustainable fiscal path, the Government of the Northwest Territories (GNWT) will build up resources to invest in the priorities of the Legislative Assembly and make strategic infrastructure investments. Responsible fiscal management is a cornerstone of creating an environment where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories (NWT).

Fiscal Situation

Despite being one of the most heavily hit jurisdictions by the economic recession, from a fiscal perspective the GNWT remains one of the healthiest jurisdictions in Canada. The GNWT continues to have manageable and affordable debt levels, with net debt to GDP and debt servicing cost ratios in the lowest third of all jurisdictions in Canada. As well, the GNWT has maintained its enviable Aa1 credit rating from Moody's Investors Service, the second highest obtainable rating.

The economic downturn provided the GNWT with the opportunity for an unprecedented capital investment program to offset some of the drop in private investment and to take advantage of decreased construction costs. Between 2009 and 2011, the GNWT spent more than $1 billion on capital investment. Some of the investment was funded by constraining growth in operating expenditures and the remainder was paid for by short-term borrowing. Short-term debt is estimated at $178 million at the end of 2011-12, and is forecast to reach a peak of $216 million at March 31, 2013, despite a projected operating surplus of $74 million.

Increased expenditures in 2011-12 due to higher forest fire suppression activity and increased demand for health services, Student Financial Assistance and Income Assistance programs, produced the fourth operating deficit in a row. At less than one per cent of GDP, the 2011-12 deficit is below the national average. The NWT is one of only four Canadian jurisdictions expected to post a surplus in 2012-13.

The key elements of the GNWT's fiscal situation have not changed:

- Transfers from the federal government continue to make up the majority of GNWT revenues. Funding formulas are set in federal legislation.

- Revenue-raising initiatives are limited by a small tax base and the need to be competitive with other jurisdictions.
- Expenditure pressures continue due to price pressures, such as rising fuel prices, and demand pressures like those arising from an aging population.

In March 2012, the GNWT achieved an increase in its territorial borrowing limit from $575 to $800 million as a result of a federal-territorial review of the definition and adequacy of the three territories' borrowing limits. The review resulted in the addition of new elements to the definition of borrowing for the purposes of the limit, which means that the actual borrowing room is lower than suggested by the increase. By March 31, 2013, a forecast $144 million in borrowing room will be available.

The GNWT is governed by the parameters for responsible spending, borrowing and debt repayment set out in its *Fiscal Responsibility Policy*. The parameters ensure that at least half of infrastructure investment will be financed through cash generated from operating surpluses. Therefore, without operating surpluses, the GNWT will be unable to take advantage of the additional borrowing room under the federally-imposed borrowing limit.

After four years of unprecedented capital investment, the GNWT needs to restore fiscal sustainability by returning to significant operating surpluses.

Fiscal Responsibility Policy:

The GNWT WILL borrow for capital infrastructure; self-liquidating investments; and repayable loan programs.

The GNWT will NOT borrow for operating expenses.

Investment in infrastructure will be financed with minimum 50% from cash generated from operating surpluses.

"Affordable debt" is debt where annual debt servicing payments do not exceed 5% of total annual revenues.

The *Fiscal Responsibility Policy* and relatively low levels of debt figure strongly in the GNWT's Aa1 credit rating. Maintaining a strong credit rating to ensure low debt costs, as well as signalling strong fiscal management to investors, is an important advantage the GNWT will not jeopardize.

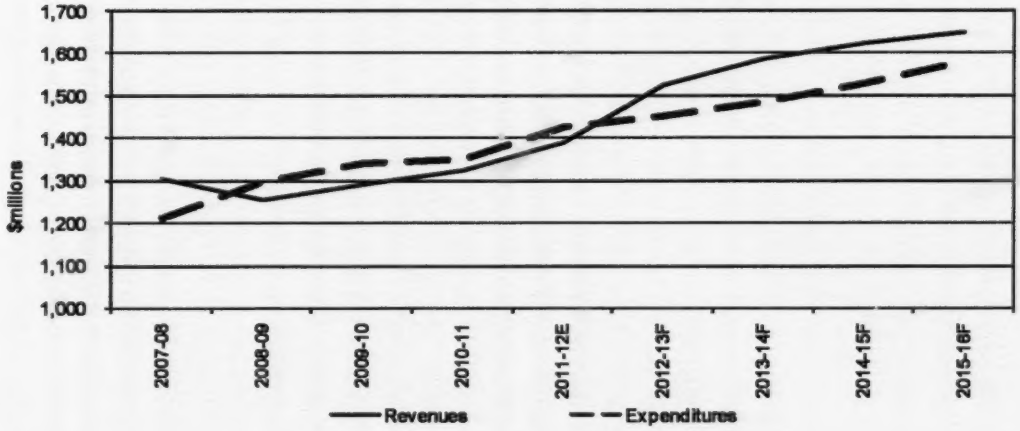
Fiscal Strategy

The GNWT remains committed to managing expenditure growth in line with revenue growth and adhering to the *Fiscal Responsibility Policy*. The fiscal strategy calls for a return to surpluses to pay down the short-term borrowing incurred for capital investments over the past few years and to generate cash to invest in future infrastructure projects.

In order to return to surplus, the 2012-13 fiscal strategy includes the following key components:

- Expenditure growth, net of compensation increases, will be capped at 3 per cent for both forced growth and new initiatives.
- Capital investment in core GNWT, community and housing infrastructure will be reduced to approximately $137.5 million per year, starting in 2012-13.
- Short-term debt will be used temporarily until cash resources are recovered through surpluses over the next few years.

Revenues and Expenditures, 2007-08 to 2015-16



Between 2008-09 and 2011-12, annual revenue growth averaged 3.5 per cent. Over the same period, expenditure growth was constrained to 3.2 per cent. Following a strong recovery in revenues expected in 2012-13, annual revenue growth is projected below historical norms at 2.7 per cent until 2015-16. In order to remain in surplus over the medium term, the GNWT will need further expenditure growth constraint.

2012-13 Budget

The 2012-13 Budget proposes operating expenditures of $1.41 billion and forecasts revenues of $1.52 billion. After taking into account infrastructure contributions and supplementary reserve requirements, an operating surplus of $74 million is projected.

Infrastructure investments for 2012-13, as approved in December 2011, will be $124.2 million.

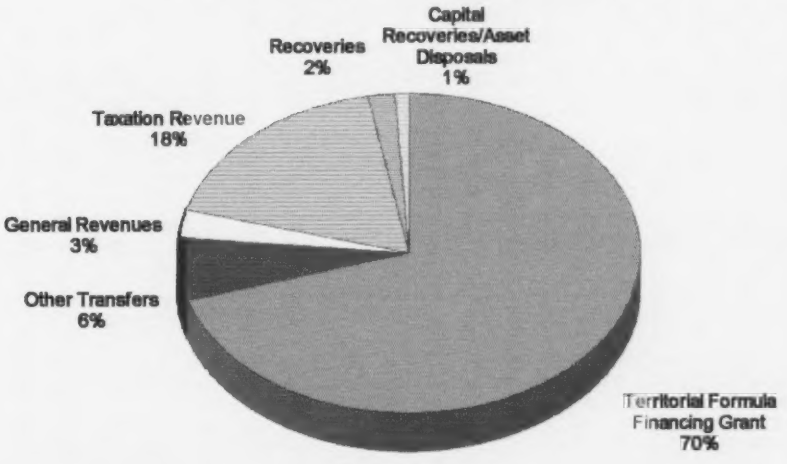
The cash generated from operations will not wholly cover the capital investments planned for 2012-13, resulting in a slight increase in short-term direct debt to $216 million as of March 31, 2013. Long-term debt consists of both guaranteed debt and direct debt. Guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation, the NWT Housing Corporation, and the Yellowknife Public Denominational District Education Authority totals $259 million. Direct GNWT debt is estimated to be $181 million incurred to finance the construction of the Deh Cho Bridge and capital leases. Total debt is projected to be $656 million at March 31, 2013.

Revenues

Total revenues are forecast to increase by $132 million to $1.52 billion in 2012-13. This represents growth of 9.5 per cent over 2011-12 estimated revenues of $1.39 billion. The majority of the growth is attributable to two revenue sources, the Territorial Formula Financing (TFF) Grant which grew by $74 million from 2011-12 to 2012-13, and Corporate Income Tax (CIT) revenues, which are forecast to grow by $55 million.

The TFF Grant continues to make up the majority of GNWT revenues, forecasted to be 70 per cent in 2012-13. GNWT own-source revenues are expected to account for 23 per cent of total revenues in 2012-13.

2012-13 GNWT Revenues by Source

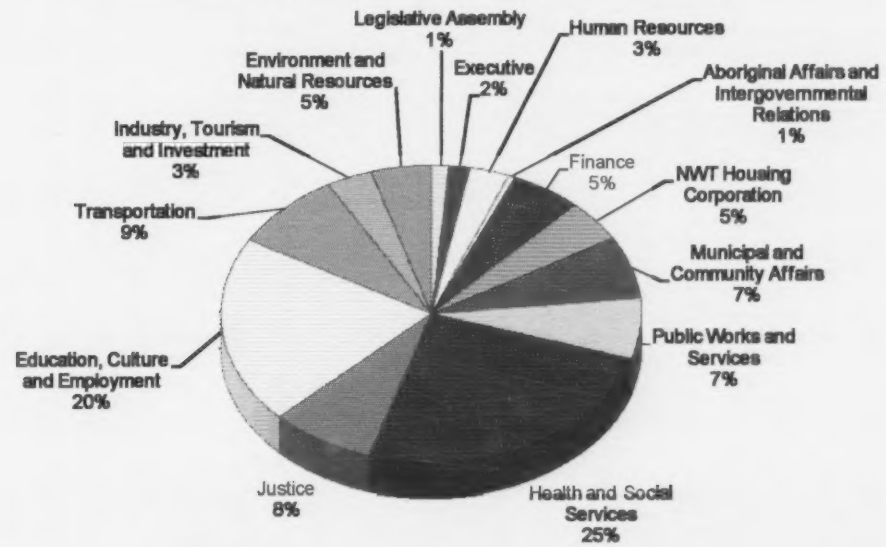


Expenditures

The 2012-13 Budget proposes $1.41 billion in operating expenditures, of which $818 million is budgeted for social programs such as education, health care, social services, housing, policing, and corrections.

Operating expenditures are forecast to increase $50.9 million from 2011-12 Main Estimates. This growth primarily consists of increasing costs of existing programs and services, amounting to $32.7 million, as well as $34.7 million in strategic and corporate initiatives. The increases are partly offset through $34.3 million in sunsetted programs and $3.2 million in expenditure reductions.

2012-13 Operations Expenditures by Department



Initiatives

Budget 2012-13 invests in the goals and priorities set out by the 17th Legislative Assembly through spending on existing programs and new funding for programs in key priority areas. Investments in these initiatives will support strong individuals and families who can take advantage of increased economic opportunities and the benefits of a sustainable environment.

Supporting our People

A total of $19.7 million will be invested in strategic initiatives in 2012-13 to support residents in improving their well-being and assist them in reaching their potential. Significant investments to stabilize the cost of living, address housing issues, increase community safety, and protect the most vulnerable will assist the GNWT in realizing its goal of healthy, educated people free from poverty.

- $1 million to fund the previously announced new public housing rent scale that will be simple, predictable, and fair, while providing the incentive to work.
- $700,000 for the continuation of eco-energy retrofits for public housing that minimize the cost of utility operations and increase the sustainability of the public housing program.
- $1.2 million to support the working poor through a transitional rent supplement for market rentals.
- $15.6 million to stabilize the cost of living by mitigating some of the required rate increase in the NWT Power Corp.'s (NTPC) General Rate Application for residents. Paying a share of the rate increase for three years will allow electricity rates to grow at a moderate and stable pace, ensuring a smoother transition for people and businesses to higher electricity rates.
- $500,000 to support the establishment of Child and Family Services Committees in five communities, based on recommendations from the Standing Committee on Social Programs review of the *Child and Family Services Act*.
- $150,000 in additional funding to establish the Office of the Children's Lawyer to increase access to justice for children in matters where a judge determines that a child needs independent legal representation.
- $148,000 to implement the *Community Safety Strategy* to address community safety issues.
- $128,000 for the Department of Justice to complete planning and coordination for additional RCMP resources during Mackenzie Gas Project construction.
- $137,000 to implement the *Framework for Action on Family Violence* and hire an RCMP Family Violence Coordinator to facilitate a more effective response to family violence. The position will ensure RCMP officers have consistent information and training to deal with family violence, and provide a dedicated RCMP liaison for frontline workers and social program agencies.
- $150,000 to improve government communications and services delivery to the public in French.

2012-13 Investments: Supporting Our People (thousands of dollars)

Improving Housing		
New Public Housing Rent Scale	$ 1,000	
Public Housing Energy Efficiency Retrofits	700	
New Rent Supplement Program for Market Rentals	1,173	
		$ 2,873
Reducing the Cost of Living	15,600	
		$ 15,600
Protecting Children		
Child and Family Services Committees	500	
Office of the Children's Lawyer	150	
		$ 650
Improving Safety and Security		
Community Safety Strategy Implementation	148	
RCMP Contract for Managing Impacts of Development	128	
Implementing the *Family Violence Action Plan* - RCMP Coordinator	137	
		$ 413
Other		
Improving Program and Service Delivery to the Public in French	150	
		$ 150
		$ 19,686

Supporting our Economy

A total of $10.7 million will be invested to make sure Northerners, and their communities, benefit from the economic recovery that is taking place. Investments in supporting sustainable resource development, taking authority over lands, and measures to support economic diversification are critical to the expansion of economic opportunities available to residents.

- $643,000 to develop a *Mineral Development Strategy and Action Plan* that clearly articulates Northern principles and priorities for sustainable mineral development, and addresses challenges faced by the industry.
- $2 million to support negotiations of the Devolution and Resource Revenue Sharing Agreement.
- $6.1 million for costs associated with initial transition and implementation of activities outlined in the Devolution Agreement-in-Principle.
- $1.3 million to engage Aboriginal governments in discussions concerning devolution and to fund their participation in negotiations towards a final agreement.

- $100,000 to increase the number of mine employees living in the NWT under the Mining Workforce Initiative Memorandum of Understanding with the three diamond mines.
- $397,000 to develop a new *Economic Development Strategy* to identify current and future opportunities for the NWT and identify gaps that obstruct economic development.
- $100,000 to host the national Committee on Internal Trade meeting, an opportunity to showcase the NWT's economic and tourism potential.
- $200,000 to continue to support NWT businesses in implementing energy conservation and efficiency measures that save on heating, water and electricity bills.

2012-13 Investments: Supporting Our Economy (thousands of dollars)

Supporting Sustainable Resource Development		
Mineral Development Strategy and Action Plan	$ 643	
Devolution and Resource Revenue Sharing Agreement Negotiations	1,964	
Devolution Implementation Activities	6,071	
Funding for Aboriginal Government Participation in Devolution	1,266	
Maximizing Northern Residency from Mining	100	
		$ 10,044
Supporting Economic Diversification & Growth		
New *Economic Development Strategy*	397	
Hosting of Internal Trade Ministers Meeting	100	
Commercial Energy Conservation and Efficiency Program	200	
		$ 697
		$ 10,741

Supporting our Environment

Budget 2012-13 provides $4.3 million for strategic initiatives that focus on improving environmental stewardship, energy conservation and efficiency and environmental governance. These investments support the goal of an environment that will sustain present and future generations.

- $905,000 to negotiate transboundary water agreements to protect territorial waters by maintaining the quantity and quality of water that enters the NWT from neighbouring jurisdictions.
- $100,000 to extend water monitoring activities that will increase our understanding of NWT water regimes in support of the draft *Hydro Strategy* and the *NWT Water Strategy*.

- $700,000 to fund the NT Energy Corp. as they plan and develop NWT hydroelectric resources and explore alternative energy opportunities in biomass, geothermal and solar.
- $150,000 to renew the *NWT Energy Plan* to establish priorities and approaches towards energy over the next decade.
- $100,000 to continue implementation of actions under the *Biomass Energy Strategy*.
- $100,000 to assist in the establishment of a biomass supply chain and help residents and small businesses install pellet stoves or small boilers in Inuvik.
- $100,000 to explore medium to long-term solutions, such as biomass and liquefied natural gas, in response to the Inuvik natural gas shortage.
- $150,000 to continue support for the continuously over-subscribed Energy Efficiency Incentive Program administered by Arctic Energy Alliance, bringing total funding to $350,000 in 2012-13.
- $100,000 to help NT Energy Corp. match communities and industry with potential hydro and other renewable energy projects to reduce energy costs and greenhouse gas emissions.
- $200,000 to support the work of Regional Energy Advisors in visiting communities to conduct home energy audits, training and workshops.
- $400,000 for the installation of an electric boiler system in Fort Smith's Northern Lights Long Term Care Facility, displacing 77,000 litres of fuel oil and realizing annual operational savings of $80,000.
- $450,000 to install a wood pellet boiler system at the Deh Gah School in Fort Providence, displacing 95,000 litres of fuel oil and realizing annual operational savings of $56,000.
- $142,000 provided by the Building Canada Plan for research into climate change impacts on infrastructure, providing the GNWT and stakeholders with best practices to mitigate and adapt infrastructure.
- $462,000 to continue funding four regional Land Officer positions to respond to public demand for more timely and effective land administration services associated with the administration of Commissioner's Land.
- $185,000 to increase funding to the Land Administration Survey Program to complete land surveys necessary to transfer community public infrastructure to municipal governments.
- $50,000 to support the work of the Aboriginal Consultation unit to allow the GNWT to engage in meaningful consultation with Aboriginal organizations on projects and initiatives that might affect their rights.

2012-13 Investments: Supporting Our Environment (thousands of dollars)

Environmental Stewardship		
Water Stewardship Strategy Action Plan	$ 905	
Water Monitoring	100	
		$ 1,005
Energy Conservation and Efficiency		
NT Energy Core Funding	700	
NWT Energy Plan Renewal	150	
Biomass Energy Strategy	100	
Short-term Biomass Options for Inuvik	100	
Medium/Long-term Energy Options for Inuvik	100	
Energy Efficiency Incentive Program	150	
Regional Hydro and Renewable Energy Solutions	100	
Regional Energy Advisors	200	
Electric Boiler System (Fort Smith)*	400	
Wood Pellet Boiler (Fort Providence)*	450	
Infrastructure climate change impacts research	142	
		$ 2,592
Governance Development		
Land Administration Survey Program	185	
Regional Operations of Land Administration Program	462	
Aboriginal Consultation Unit	50	
		$ 697
		$ 4,294

* Supplementary appropriation to 2012-13 Capital Budget.

Infrastructure

The 2012-13 capital budget was approved on December 15, 2011. A total of $95 million will be invested in infrastructure and $29 million in infrastructure contributions, including:

- $28 million in Formula Funding for community infrastructure;
- $30 million for health facility replacements and renovations, including $12 million for the H.H. Williams Memorial Hospital in Hay River and $8.7 million for renovations to the Fort Smith Health Centre;
- $25.6 million for highways and winter roads across the NWT;
- $11 million for school replacements and renovations;
- $11.9 million for small capital projects across all departments;
- $1 million to complete the required planning for the Inuvik to Tuktoyaktuk highway;

- $4 million for the deferred maintenance program; and
- $654,000 to continue the Capital Asset Retrofit Fund Program for energy efficiency upgrades to existing GNWT buildings.

Included in the *2012-13 Main Estimates* is $13 million in housing investments delivered through the *2012-13 Capital Plan* of the NWT Housing Corporation. Including the proposed NWT Housing Corporation investment, total planned infrastructure investment in 2012-13 is $137.5 million.

Revenue Measures

The 2012-13 Budget does not include any new taxes.

Effective April 1, 2012, property tax mill rates, liquor mark-ups and a number of fees were adjusted for inflation. This is in line with the commitment made in the 2010-11 Budget that, where practicable, tobacco and property tax rates, liquor mark-ups, and fees would be adjusted each year at the rate of inflation.

Looking Ahead

Medium-Term Outlook

The following table shows the GNWT's medium-term outlook given current fiscal projections. The outlook includes all components of the fiscal strategy, including the rebuilding of cash through operating surpluses. Restrictions on expenditure growth and a reduction in infrastructure investment over the near term will reduce short-term borrowing beginning in 2013-14.

Medium-Term Outlook ($millions)

	2011-12 Estimates	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast
Revenues	1,392	1,524	1,587	1,624	1,650
Expenditures	(1,426)	(1,450)	(1,485)	(1,528)	(1,577)
Operating Surplus (Deficit)	(34)	74	102	96	73
Capital Investment Requirements	150	133	129	113	108
Accumulated Cash Surplus (Deficit) as of March 31[a]	(178)	(218)	(215)	(210)	(185)
Total Guaranteed Debt [1]	(253)	(253)	(247)	(242)	(237)
Other Debt [2]	(187)	(187)	(187)	(188)	(187)
Total Debt	(618)	(658)	(649)	(640)	(609)
Total Borrowing Authority	800	800	800	800	800
Available Borrowing Authority	182	144	151	160	191

[1] Includes debt of the NWT Power Corp., NWT Energy Corp. and NWT Housing Corp.
[2] Includes debt incurred to finance the construction of the Deh Cho Bridge, and debt of the Yellowknife Public Denominational District Educational Authority.

The GNWT will continue to actively monitor its fiscal situation to manage changing circumstances by making the necessary adjustments to ensure a balance between expenditure growth and the government's ability to pay.

The fiscal strategy will constrain spending growth to below forecast revenue growth, in order to generate adequate operating surpluses to pay back short-term borrowing and build up enough reserves to return to a more strategic infrastructure investment plan in two years' time.

Addressing the NWT's significant infrastructure deficit continues to be a priority for the GNWT. The following strategic infrastructure investments have been identified as priorities for strengthening and diversifying the NWT economy, addressing housing needs and the sustainability of health care delivery:

- The Inuvik-Tuktoyaktuk highway would help support sustainable development in the region, including oil and gas and other resource development, while reducing the cost of living and doing business. The highway will also reinforce Canadian sovereignty in the region and finally connect Canada coast to coast to coast by road.

- A P3 private sector investment for a high-speed fibre optic link up the Mackenzie Valley would improve community connectivity and support the Inuvik Satellite Station. This link will position the station to become a world class satellite receiving station, supporting economic diversification into more knowledge-based industries.

- Investments in higher density housing in communities and investments that address our health facilities deficit will help ensure the sustainability of key programs and services.

- Consideration of hydro initiatives that provide lower-cost and environmentally friendly power to lower the cost of living and doing business in the NWT.

Work continues to complete a final devolution agreement after the signing of the Devolution Agreement-in-Principle in January 2011. The final devolution agreement will provide a net fiscal benefit to the GNWT through resource revenue sharing; however, the broader goal is the transfer of authority over NWT lands and resources to the North so that NWT residents have control over resource management decisions.

Recognizing the dual pressures of rising operating expenditures and the growing infrastructure deficit, combined with slowing growth in revenues, over the medium term the GNWT will have to make some changes. Budget consultations focusing on expenditures are planned for the fall of 2012. Discussions will centre on residents' spending priorities, the optimal mix of operations and capital spending, and opportunities for savings or reallocation of resources. Results of the consultations will be used to prepare the 2013-14 Budget.

Risks to Medium-Term Outlook

The main risk to GNWT revenues comes from the Territorial Formula Financing (TFF) Grant because it makes up the majority of total revenues. In December 2011, the federal Finance Minister gave assurance that the current TFF formula will continue until March 31, 2019.

The certainty in the TFF formula does not remove downside risk associated with the Grant. The TFF Grant is calculated according to a formula that takes into account NWT population growth relative to Canada's, growth in spending by provincial and local governments, and the GNWT's own-source revenues. Slower population growth relative to Canada's or lower provincial and local government spending growth will reduce the growth in the TFF Grant. Current TFF projections have been made using the latest forecasts for these two variables. However, if relative population growth is lower than projected or provincial governments cut spending more severely than forecast, growth in TFF could slow more than already projected.

While own-source revenues are a smaller percentage of total revenues than TFF, they are more volatile because of corporate income tax revenue. Revenues from personal income tax, payroll tax and fuel tax tend to decrease during an economic downturn; however, they can usually be reliably forecast but the unique nature of corporate income tax makes reliable forecasting a challenge.

Corporate income tax can fluctuate significantly from year to year. While the gap filling design of TFF eventually offsets such fluctuations, the Grant is not immediately responsive to changes in own-source revenues. In fact, it takes the TFF Grant two years to respond to a change in corporate income tax. Given the exposure to such risks, the GNWT is investigating the possibility of a Revenue Stabilization Fund, similar to that in other provinces, to more actively manage sharp increases and decreases in revenues.

Own-source revenues over the medium to long-term are influenced by economic activity; particularly through resident employment and incomes. NWT gross domestic product (GDP) is particularly sensitive to fluctuations in diamond production. As the NWT's two largest mines shift to underground production or new kimberlite pipes, GDP is likely to fluctuate significantly. However, shocks to GDP will only influence own source revenues to the extent that employment, resident income, population or fuel consumption, are affected.

On the expenditure side of the budget, risks to the medium-term outlook are posed primarily by unexpected situations. Examples include a severe fire-suppression season, increased medical travel or an unanticipated investment in a capital asset, as was the case with NTPC's Bluefish hydro replacement. Rising fuel prices could pose a risk to the fiscal outlook if the GNWT's subsidy to offset NTPC's rising costs needs to be larger to offset rising fuel prices.

Summary of Operations

(thousands of dollars)

	2012/2013 Main Estimates	2011/2012 Revised Estimates	2011/2012 Main Estimates	2010/2011 Actuals
REVENUES	**1,524,114**	**1,392,056**	**1,379,922**	**1,351,578**
OPERATIONS EXPENSE				
Compensation and Benefits	294,183	291,594	285,969	282,019
Grants and Contributions	682,561	678,913	659,101	639,852
Other Expenses	361,761	359,990	345,340	335,643
Amortization	72,676	69,621	69,921	65,938
TOTAL OPERATIONS EXPENSE TO BE VOTED	**1,411,181**	**1,400,118**	**1,360,331**	**1,323,452**
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	**112,933**	**(8,062)**	**19,591**	**28,126**
INFRASTRUCTURE CONTRIBUTIONS	(28,852)	(48,374)	(28,852)	(51,313)
SUPPLEMENTARY RESERVE	(20,000)	-	(10,000)	-
ESTIMATED APPROPRIATION LAPSES	10,000	22,752	36,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	58,839	68,698	55,324	64,787
Expenditures	(58,839)	(68,698)	(55,324)	(64,787)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	**74,081**	**(33,684)**	**16,739**	**(23,187)**
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	**743,280**	**776,964**	**803,342**	**800,151**
ACCUMULATED SURPLUS AT THE END OF THE YEAR	**817,361**	**743,280**	**820,081**	**776,964**

Summary of Revenues

(thousands of dollars)

	2012/2013 Main Estimates	2011/2012 Revised Estimates	2011/2012 Main Estimates	2010/2011 Actuals
GRANT FROM CANADA	**1,070,023**	**996,143**	**996,143**	**919,872**
TRANSFER PAYMENTS	**96,854**	**97,938**	**94,835**	**105,113**
TAXATION REVENUE				
Personal Income Tax	90,441	89,603	94,048	85,167
Corporate Income Tax	74,976	20,311	14,303	56,818
Tobacco Tax	17,326	16,917	16,792	17,016
Fuel Tax	16,586	16,414	14,292	16,104
Payroll Tax	41,488	39,578	37,992	36,960
Property Tax and School Levies	25,440	24,672	25,354	24,294
Insurance Taxes	4,400	4,580	4,580	4,283
	270,657	**212,075**	**207,361**	**240,642**
GENERAL REVENUES				
Revolving Funds Net Revenue	24,628	24,388	24,388	24,385
Regulatory Revenues	15,513	15,976	18,134	11,048
Investment Income	2,143	1,513	1,891	2,375
Other General Revenues	436	581	744	8,839
	42,720	**42,458**	**45,157**	**46,647**
OTHER RECOVERIES				
Lease and Accommodations	3,612	3,397	947	104
Service	1,748	1,701	1,868	587
Program	18,810	19,131	15,302	16,522
Commodity Sales	286	378	68	69
Insurance Proceeds	60	60	60	85
Other Miscellaneous Recoveries	150	500	220	-
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	7,929
	27,666	**28,167**	**21,465**	**25,276**
GRANTS IN KIND	**635**	**762**	**762**	**762**
CAPITAL				
Deferred Capital Contributions	15,559	14,513	14,199	13,266
	15,559	**14,513**	**14,199**	**13,266**
TOTAL REVENUES	**1,524,114**	**1,392,056**	**1,379,922**	**1,351,578**

Summary of Operations Expenditures by Department

(thousands of dollars)

	2012/2013 Main Estimates	2011/2012 Revised Estimates	2011/2012 Main Estimates	2010/2011 Actuals
Legislative Assembly	18,508	19,768	19,544	17,329
Executive	22,862	19,132	14,005	13,447
Human Resources	42,796	43,220	42,421	38,823
Aboriginal Affairs and Intergovernmental Relations	7,304	7,888	7,619	7,474
Finance	142,121	128,013	121,989	119,588
Municipal and Community Affairs	95,533	93,571	93,225	91,690
Public Works and Services	93,682	93,088	92,988	92,195
Health and Social Services	349,926	358,795	344,505	336,252
Justice	113,674	108,465	106,644	104,534
Education, Culture and Employment	289,107	288,173	285,895	279,157
Transportation	120,415	111,578	110,777	103,649
Industry, Tourism and Investment	49,560	53,919	53,226	49,520
Environment and Natural Resources	65,693	74,508	67,493	69,794
TOTAL OPERATIONS EXPENDITURES	**1,411,181**	**1,400,118**	**1,360,331**	**1,323,452**

Summary of Infrastructure Investment by Department

(thousands of dollars)

	2012-2013 Main Estimates	2011-2012 Revised Estimates	2011-2012 Main Estimates	2010-2011 Actuals
Tangible Capital Assets				
Legislative Assembly	640	230	-	1,618
Human Resources	300	940	940	715
Finance	1,008	1,208	925	594
Municipal and Community Affairs	-	-	-	-
Public Works and Services	11,241	25,016	14,302	25,620
Health and Social Services	36,189	29,386	16,291	17,797
Justice	702	1,974	1,096	839
Education, Culture and Employment	12,895	57,248	27,669	62,579
Transportation	29,625	137,680	62,703	227,888
Industry, Tourism and Investment	1,241	1,489	599	2,359
Environment and Natural Resources	1,524	2,815	1,653	1,467
Total Tangible Capital Assets	**95,365**	**257,986**	**126,178**	**341,476**
Infrastructure Contributions				
Municipal and Community Affairs	28,002	46,733	28,002	50,133
Health and Social Services	-	-	-	-
Education, Culture and Employment	850	1,241	850	3,808
Transportation	-	-	-	1,070
Infrastructure Contributions	**28,852**	**47,974**	**28,852**	**55,011**
TOTAL INFRASTRUCTURE INVESTMENT	**124,217**	**305,960**	**155,030**	**396,487**

Summary of Cash Flows

(thousands of dollars)

	2012/2013 Main Estimates	2011/2012 Revised Estimates	2011/2012 Main Estimates	2010/2011 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	1,246,181	1,100,493	1,096,032	1,040,365
Other Revenues	243,635	299,446	236,253	683,245
	1,489,816	**1,399,939**	**1,332,285**	**1,723,610**
Cash Paid For:				
Operations Expenses	(1,376,467)	(1,352,987)	(1,271,927)	(1,285,402)
Projects Performed for Others	(13,000)	(3,000)	-	(359,067)
Cash Provided By (Used For) Operating Transactions	**100,348**	**43,952**	**60,358**	**79,141**
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(125,861)	(161,210)	(155,383)	(339,286)
Capital Investment (prior year)	(7,050)	(11,298)	(10,592)	-
Capital Contributions Received and Deferred	-	22,000	-	47,164
Cash Provided By (Used For) Capital Transactions	**(132,911)**	**(150,508)**	**(165,975)**	**(292,122)**
INVESTING TRANSACTIONS	**(4,200)**	**(4,200)**	**(4,200)**	**16,882**
FINANCING TRANSACTIONS	**(1,000)**	**(1,000)**	**19,000**	**171,981**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(37,763)**	**(111,757)**	**(90,817)**	**(24,118)**
Cash and Cash Equivalents at the Beginning of the Year	(178,237)	(66,480)	(64,388)	(42,362)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(215,999)**	**(178,237)**	**(155,205)**	**(66,480)**

Summary of Total Debt and Estimated Borrowing Capacity

(thousands of dollars)

	2012/2013 Main Estimates	2011/2012 Revised Estimates	2011/2012 Main Estimates	2010/2011 Actuals
ESTIMATED SHORT TERM DEBT AT THE END OF THE YEAR	**215,999**	**178,237**	**155,205**	**66,480**
LONG TERM DEBT	**181,248**	**180,661**	**178,012**	**173,939**
PUBLIC AGENCY DEBT				
NWT Hydro Corporation	207,314	203,524	183,562	170,060
NWT Housing Corporation	45,275	49,295	13,977	14,506
Other	6,049	6,641	5,584	5,334
TOTAL PUBLIC AGENCY DEBT	**258,638**	**259,460**	**203,123**	**189,900**
TOTAL DEBT	**655,885**	**618,358**	**536,340**	**430,319**
AUTHORIZED BORROWING LIMIT	**800,000**	**800,000**	**575,000**	**575,000**
AVAILABLE BORROWING AUTHORITY	**144,115**	**181,642**	**38,660**	**144,681**

PROVINCIAL/TERRITORIAL TAX RATES AS OF MAY 1, 2012

	Combined Top Marginal Personal Income Tax Rate [a] (%)	Retail Sales Tax (%)	Fuel tax [b]		Tobacco Tax [c] ($/carton)	Payroll Tax [d] (%)	Corporate Income Tax		Capital Tax on Financial Institutions [e] (%)
			Gasoline (¢/litre)	Diesel (¢/litre)			Small (%)	Large (%)	
Northwest Territories	43.05	-	10.70	9.10	57.20	2.00	4.0	11.5	-
Nunavut	40.50	-	6.40	9.10	42.00	2.00	4.0	12.0	-
Yukon	42.40	-	6.20	7.20	42.00	-	4.0	15.0	-
British Columbia	43.70	7.0	20.06	21.39	37.00	-	2.5	10.0	-
Alberta	39.00	0.0	9.00	9.00	40.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.00	15.00	42.00	-	2.0	12.0	3.25
Manitoba	46.40	7.0	14.00	14.00	50.00	2.15	0.0	12.0	4.0
Ontario	46.41	8.0	14.70	14.30	24.70	1.95	4.5	11.5	-
Quebec	48.22	9.5	18.20	19.20	21.80	4.26	8.0	11.9	-
New Brunswick	43.30	8.0	13.60	19.20	34.00	-	4.5	10.0	4.0
Nova Scotia	50.00	10.0	15.50	15.40	43.04	-	4.0	16.0	4.0
Prince Edward Island	47.37	10.0	15.80	20.20	50.80	-	1.0	16.0	5.0
Newfoundland & Labrador	42.30	8.0	16.50	16.50	38.00	2.00	4.0	14.0	4.0
Weighted average [f]	45.54	7.2	15.59	15.98	29.87	1.85	4.6	11.4	0.5

Notes:

(a) Combined federal-provincial/ territorial highest 2012 personal income tax rates and surtaxes.

(b) The NWT's off-highway gasoline tax rate is 6.4 cents/litre. British Columbia fuel tax rates include carbon tax, and are applicable in regions outside Victoria and the Lower Mainland. In British Columbia, carbon tax rates are uniform across the province; however, there are different fuel tax rates for different regions. Quebec fuel tax rates also vary regionally.

(c) British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario and Saskatchewan apply sales tax to sales of tobacco.

(d) NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates vary depending on payroll size.

(e) Nova Scotia also has a 0.1% large corporations capital tax that is scheduled to be eliminated July 1, 2012.

(f) Average weighted by provincial/ territorial populations at July 1, 2011.